

Vol. XXX, No. 5

May, 1928

CREDIT

MONTHLY

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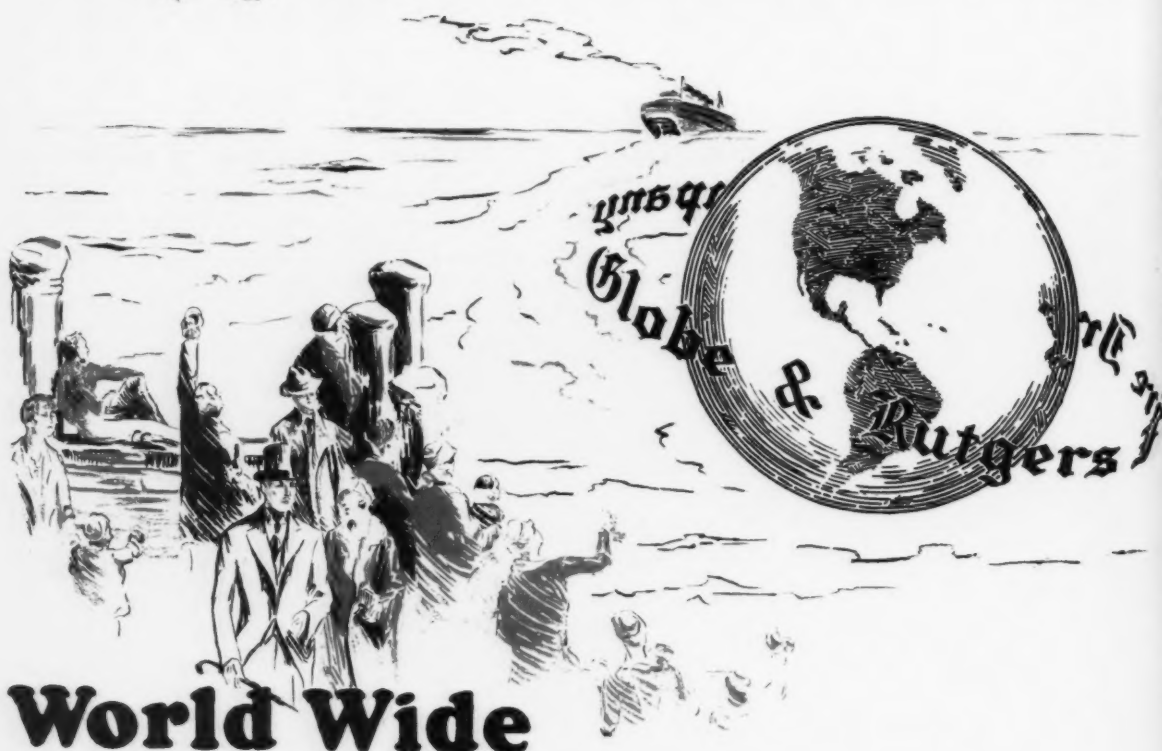
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"Alias 'J. Balin'", F. S. Hubbell's Story of Arson—page 7

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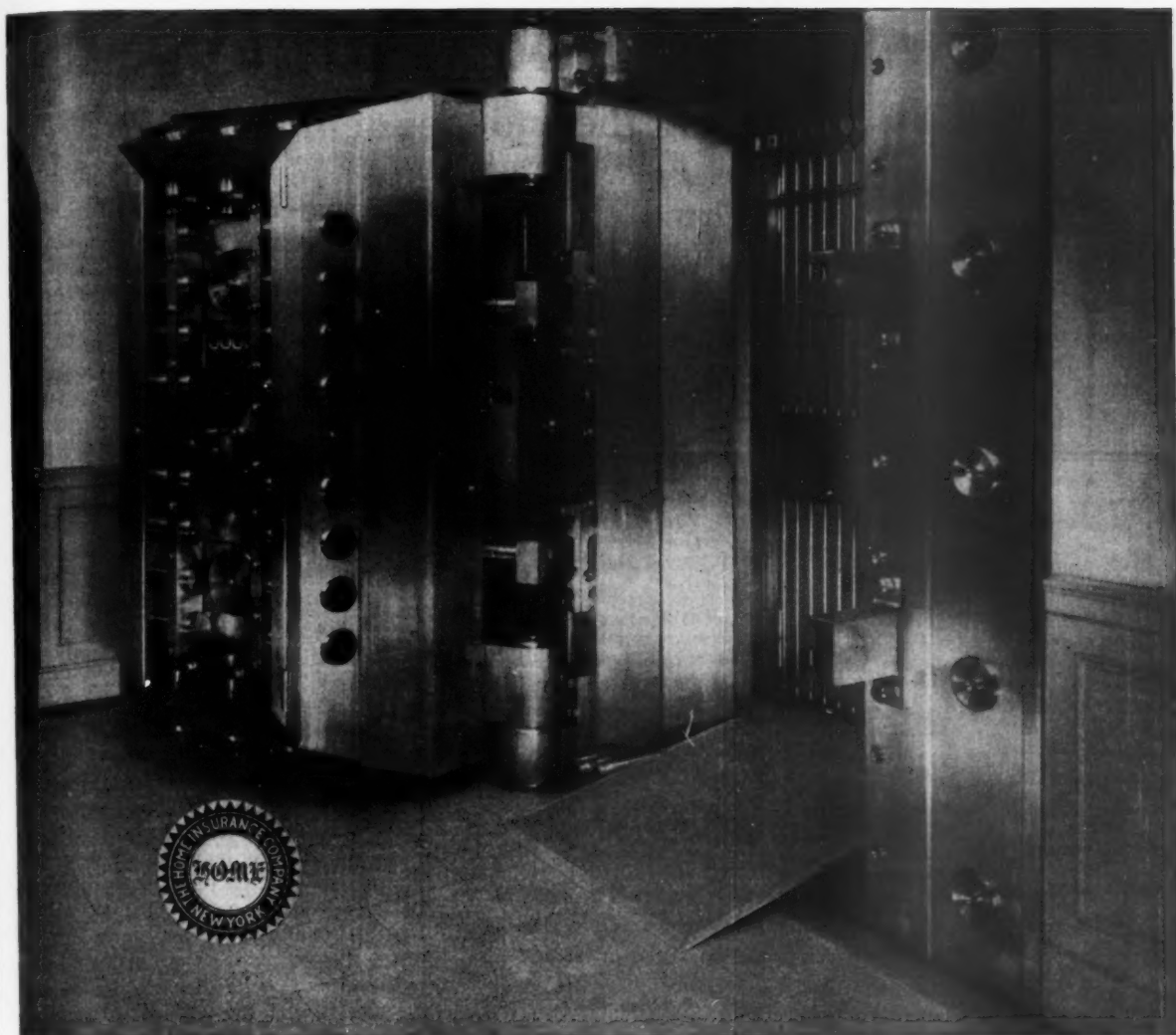
The interests of our people are no longer bounded by county, state or coast lines. Interests are worldwide — far flung. Recent inventions have brought continents closer together. Customs are changing. Confidence is constantly increasing.

The public's demand for comfort and luxury has stimulated commerce between nations to an unprecedented degree, and has built a real prosperity. The responsibility of those selling on credit in this world market is tremendous.

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This is an advertisement by The Home Insurance Company of New York presenting a suggestion of the place which Fire Insurance takes as a vital factor of the nation's development.

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Will the Jobber Survive?

Yes, by Educating the Independent Retailer

By R. P. Tracy

President—Manning, Bowman & Co., Meriden, Conn.

WHEN I talked to the New England Conference of Credit Men at Boston last month on the economic position of the jobber in present day merchandising, I pointed out that most of the discussion of the subject has centered

around the question, will the jobber die out and the manufacturer sell either direct to the consumer or direct to the retailer—and do it more economically? And I said, let's forget this angle of the question, because the fact is that today *most manufacturers*

prefer to sell to wholesalers and have those wholesalers sell to the retailers.

The manufacturer has many faults to find with his jobbers. But few manufacturers, making a type of merchandise sold over the counter in the retail store, feel that they can take on the job now done by the wholesaler, carry it on in the way that they feel it should be carried on, without running their expense up to a ruinous figure and without a very great increase in efficiency over what they are now getting from the wholesaler.

The manufacturer, to cover the scattered districts properly with his own salesmen would incur a sales expense far beyond that of the jobber. And although the manufacturer's salesman, specializing in his particular line, would undoubtedly get better results *per call* than the jobber's salesman handling hundreds of items, the *per call* efficiency of the manufacturer's salesman would not make up for his tremendous expense ratio.

Furthermore, the manufacturer, operating at a distance, could not give the retailer the type of co-operation in credits that he needs.

The jobber is an accepted part of the distributing system on most commodities selling over the counter. Manufacturers would like to see the jobber more efficient. The jobber would like to make more money. If he doesn't make money, he will drop out of the picture automatically. The manufacturer will then be faced with the problem of handling his own distribution direct to the retailer or consumer—the very thing that he doesn't want to do, if he can help it.

Now the question is whether the average jobbing business earns a sufficient amount on its capital to justify able men going into this type of business, so that the manufacturer may continue to find sound jobbing outlets to distribute his products efficiently?

I attempted to get some statistics along this line. Now statistics are funny things. I remember Gerard Swope saying that statistics are like



Far Reaching Service

A New York company had an option on a tract of land in a remote section of North Carolina. Another company wished to buy the property. Shortly before the expiration of the option, it was learned that the owners, who were mountaineers, would accept payment in gold or gold certificates only.

Representatives of the New York company enlisted the services of the American Exchange Irving Trust Company. This bank requested its North Carolina correspondent bank nearest the location to supply the gold certificates. But the correspondent did not have the necessary amount.

Telephone and telegraph were pressed into service. In a short time the required currency was found in another correspondent bank 200 miles away. This bank rushed the necessary supply to the scene of action before the option expired. The deal was consummated to the entire satisfaction of the New York company.

The facilities and wide contacts of the American Exchange Irving prove valuable to customers when swift, sure action is necessary.

OUT-OF-TOWN OFFICE

**AMERICAN EXCHANGE
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When writing to advertisers, please mention the Credit Monthly

the well-known lightning bug—that little insect with a lamp in his tail. You can tell where he has been, but the darned thing doesn't tell you where he is going! Still, there is something to be learned from statistics.

Hardware Jobbers' Profits

My contract has been almost entirely with the electrical jobber and hardware jobber. It seemed to me that a study of the hardware jobbing conditions might give a fair indication of jobbing conditions in most staple lines. Through one of our banking friends in New York I was able to get financial statements, that is, balance sheets of 28 of the most representative hardware jobbers scattered all over the United States. These 28 companies were carefully selected in order to get a national average, some of the jobbers operating over a fairly large territory, and some purely local jobbers located all the way from the Pacific Coast to New England. These concerns represent perhaps the most successful of the hardware jobbers in the United States.

In addition to getting the balance sheets, in 27 out of 28 cases we got figures on sales and net profits for six years from 1921 to 1926 inclusive. From these we made out a combined statement of the 28 companies, and some surprising figures were shown. The years 1921 and '22 were off years, '21 almost a panic year, and '22 a year of re-adjustment; '23 an exceptionally good year, '24 and '25 perhaps average years; '26 a little better than the average year.

The 28 companies in 1926 showed an average net profit on sales of 2.4 per cent. and an average net profit on their net worth of 3.9 per cent. Now the invested capital in these businesses should be considered as their net worth, and a profit of 3.9 per cent. in a better than average year is less than savings bank interest.

The average profit on sales for the five years preceding 1926 was 1.7 per cent. against 2.4 per cent. for 1926. If the same rate of turnover prevailed in those five years the percentage of profit on net worth for these 28 companies for the five years '21 to '25 inclusive, would be about 3 per cent.

I have no figures back of '21, but the financial condition of these com-

CREDIT

MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

RODMAN GILDER, Editor

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CREDIT MONTHLY May, 1928

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No. 5

panies indicates that they must have made substantially heavier profits in previous years, because the average ratio of current assets over liability was approximately four to one. All of the 28 companies are sound financially, and they never built up this asset position on a net profit of less than 4 per cent. on their investment.

Now let's take the trend of sales for the five years:

1922	\$57,000,000
1923	76,000,000
1924	72,000,000
1925	78,000,000
1926	77,000,000

After getting over the depression of '21 and '22 the combined sales have run practically level. There has been no serious slump, no serious in-

(Continued on page 22)

HABIT

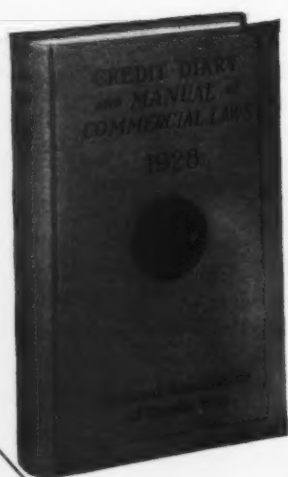
in using the Credit Diary and Manual of Commercial Laws, published each year by the N.A.C.M., will help you to solve legal phases of your credit problems with habitual ease.

A BIT of dependable legal information on many of your credit problems will save you unnecessary counsel's fees.

BIT by bit and year after year you will find that the Credit Manual habit pays big dividends.

IT is an old, old saying that "An ounce of prevention is worth a pound of cure." By being certain on small legal problems you will prevent the growth of big legal problems.

The list of contents below will suggest to you the valuable scope of information contained in this Manual.



The Book Contains:

the full text of the Bankruptcy Law with the recent amendments explained; list of referees, complete record of the many important changes made in States Laws affecting credits, secured from the Advisory Editorial Board of Attorneys which covers every State in the Union; information in convenient form on Sales, Contracts and Cancellations, Guarantees, Liens, Exemptions, Foreign Corporations, Chattel Mortgages, Consignments, Negotiable Instruments, Acceptances, Trusts and Combinations, Liability, Bulk Sales, Assignments, Bad Check Laws, Attachments, False Statements, Claims, Income and Stamp Tax, Postage Rates, Air Mail, a list of 100 Business Books, etc.

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Distress Merchandise

By J. F. Wood, Vice-Pres., N. A. C. M., Richmond Dry Goods Co.

THE subject of distress merchandise does not always get the attention its real importance deserves. It came to my notice sharply in 1920 when the textile line was slaughtering its prices. I talked the matter over with some business leaders in my own State and found that they were alive to the situation.

Through the Adjustment Bureaus of the National Association of Credit Men, an investigation was conducted several years ago which covered some ten million dollars worth of distress merchandise that had been thrown on the market. It was found that there frequently was collusion among several buyers at an auction of such merchandise which resulted in the knocking down of the goods to an unfair price. After the sale, these buyers divided the merchandise among themselves. It is easy to see how legitimate business is demoralized by throwing merchandise on the market at such artificially low prices. Furthermore, the practice decreases materially the dividends in bankruptcy cases.

One successful retailer—who last year did a business of several hundred thousand dollars in a small town—was asked what effect the selling of bankrupt stocks had on his business. He said:

"Whenever such stock is offered for sale in my town or within a radius of 30 or 40 miles, I attend the sale. I rarely buy, but always bid on the stock. I have found that in every instance some of the buyers hold secret sessions and agree among themselves not to bid against each other. At the time of the sale only one of these men appeared as a bidder. My bidding has, I believe, caused stocks to bring a fair price; and this of course has prevented the demoralizing effect of ridiculously low prices in my own business and in the business of other legitimate merchants in this community."

It seems to me that it is well for credit managers to keep the problem of distress merchandise in mind at all appropriate times and for them to do whatever they can for the sake of their customers and of their own companies to offset the bad effects of the sale at dangerously low prices of distress merchandise.

When writing to advertisers, please mention the Credit Monthly

What Happens When He Says,

"Miss Smith, Please Take a Letter—"

"A BOY should not be turned loose from High School, much less college, without having been taught to dictate a letter", declared the Research Department Manager. "American business loses many millions of dollars through inefficient dictating of letters. The other day, I was perched in the office of an Assistant Sales Manager, who happens to be my son-in-law, and, profiting by the fact that I still know how to take stenographic notes, I made an exact record of several letters that he dictated while I was there. Here is one of them. [See box on this page.]

"That letter may not be an average performance even for the young man who was guilty of it, but there are thousands of apparently efficient business men who don't do much better.

"General Lord, Director of Uncle Sam's Bureau of the Budget, has one of the Budget co-ordinating boards at work on a study, looking toward concerted effort to reduce the cost of government correspondence. As a result of actual tests made with a group of stenographers, the figure of 26 cents per letter was arrived at. This figure, however, is not final, but is subject to modification as the investigation goes on.

"A survey of letter costs, based on the experience of about fifty offices, arrives at a figure of over 35 cents per letter for the average cost of dic-

tating, shorthand, typing, stationery and handling. Of this, more than 20 cents is for preparation and dictation and 12 cents covers the typing and shorthand with about two cents for

the success and failure of a business, and remove an unnecessary burden from our commerce.

"The first requirement, obviously, in dictating is to know what you want to say, which means that data to go in a letter should be in hand before you start.

"Accuracy is another thing. The Post Office Department spends about \$1,750,000 of the taxpayers' money for handling 'nixies' — that is, pieces of mail matter so improperly addressed that they have to be sent to the Dead Letter Office. Much of this loss would be avoided by more careful work on the part of the dictators of letters.

"A third requirement is that the man should arrange to protect himself from interruptions. Sometimes this can be arrived at by general agreement in an office. In our concern it is understood that between 10 and 11:30 everyone is taking care of his correspondence and will not welcome interruptions.

"A fourth rule for good dictation is, — whether you are dictating to a talking machine or to a stenographer, — to talk

smoothly and clearly. A useful habit is, while dictating a paragraph, to be planing the next one.

"Many take courses in public speaking. 'What the country needs' is not only less and better public speaking, but more efficient private dictating."

R. G.

As the Stenographer Hears It

"Miss Smith, please take a letter: John Jones and Company, Paducah, Tennessee—Paducah, Kentucky. Dear Sirs: No! Mr. Jones, care of etcetera, Dear Mr. Jones, no, Dear Sir, no, Dear Jones: We—I appreciate greatly your request of the 16th—er, 15th, for an estimate on 20 gross of our nickel-plated—no, galvanized iron fly-traps, Model M—Model N. Paragraph. I call your attention—er— You will see by the enclosed pamphlet No. 92, describing our line—our up-to-date line of fly-traps—just hand me that folder of circulars—is No. 92 there?—missing? Hello, give me the Advertising Department, please. Hello, Advertising, Robinson speaking. Please send over half a dozen copies of pamphlet No. 92, no, 92, the one on fly traps. Superseded? All right, then send No. 121—thanks. Change that to pamphlet No. 121. What have I got there? Yes, please read back the letter as far as you have it . . . All right—er—you will see that we have discontinued our galvanized iron line and have substituted for it a nickel-plated fly-trap which bids fair to entirely supplant—to completely supplant—to take the place entirely of the galvanized iron product. It has already met with great success in the market. Paragraph. The wearing qualities of the galvanized iron, I mean nickel-plate, according to Professor er—never mind, leave that out. Er—We can—we are glad to quote you on—F. O. B. factory, on 30—what did he ask for, 30 or 20? Twenty. All right—on 20 gross galvanized iron, an especially attractive, the especially attractive price of, let's see, \$113.00 per gross, making a total of—er—Just figure that out. Yes, hello, this is Robinson speaking, Robinson, no Robinson,—oh, all right, goodbye. What does that figure out? Twenty-Two Hundred and Sixty Dollars? (Credit Manager comes in.) Please write what you have there and then come back. (Confers with Credit Manager for 15 minutes.)

"Miss Smith, let's finish that John Jones and Company letter. Just read me what you have there. Oh, you have typed it out? Let's see. Mm—I guess I'll make that Dear Mr. Jones instead of Dear Jones and er—er—Miss Smith! You have got me quoting on galvanized iron when I said nickel; you know we have discontinued the galvanized iron line. Er—making a total of \$2260.00. Paragraph. Hoping that this price will—er—this quotation will interest you, and appreciating your inquiry, I am—we are—I am Yours very truly, er—Sincerely yours—"

stationery, including carbons.

"If American business pays between 26 and 35 cents for each of its letters, this problem is immensely important to business at large. Giving the dictators a few lessons in dictation might effect economies that would make the difference between

No argument in favor of Credit Insurance could be more convincing than the endorsement of those who have employed it. This service stands on its record of efficient past and present performance.

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Oliver J. Matthews,
Mgt. Credit Insurance Dept.

C. M. Berger,
United States Mgr.

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CREDIT MONTHLY

Vol. XXX

MAY, 1928

No. 5

Alias "J. Balin" *By F. S. Hubbell*

THE weather-beaten sign over the front of the store spelled "John Bates & Co.—Dry Goods, Boots & Shoes." It was hard to read after its exposure of twenty years, which had dimmed the gilt lettering and flaked off the black paint of the warped board background; and the elements had toned down the rest of the store front to match the old-fashioned appearance of the sign.

John Bates' store was an institution in Belvedere. John himself had not been a particularly progressive business man, but he had been honest in his dealings both with his customers and his creditors, pleasant and eager to please; and for thirty years he had made a comfortable living in his small Main Street establishment.

It was still a popular store after Bates sold it, when he retired. The two young men who had taken it over seemed to be doing well there; the townspeople soon discovered that the prices they charged for their goods were a little lower than Bates' had been, and the newcomers did a good business, perhaps a little better than the old gentleman had done.

They were city folks, these new proprietors, suave, courteous and hustling. They had come to Bates with a cash offer that had made him close the deal quickly, before they could change their minds about buying; and a few days after their visit they took over the management of the store.

Bates dropped in often to see them during the first few weeks of their stay. His long association with the store drew him back to it every three

or four days, even though his successors did not seem pleased to see him and did not take kindly to the advice he offered them.

During two of his visits truckloads of merchandise from the city nearby were delivered at the store, through the front entrance. When he asked about these loads of goods he was told by the newcomers that they were taking advantage of low seasonal prices to stock up for a sale.

He warned them to take care lest they get caught with out-of-date merchandise; but they said they knew what they were doing, and he dropped the subject. Then one day he went down into the cellar and saw the big piles of packing cases there.

"You're putting too much money into stock," he told them. "You've got enough goods in the cellar for four stores like this one."

The younger of the proprietors turned upon him with a remark that kept him out of the place thereafter.

"Who's running this place, anyway?" he asked belligerently. "You mind your own business; and this ain't your business."

A few days after this incident they had another unpleasant caller, a salesman, who asked to see Mr. Bates.

"Sorry," the younger one told him, "Mr. Bates is out; he won't be back for two weeks. Is there anything I can do for you?"

"No; I wanted to see him about an order. I can't figure out why he ordered his line from us by mail, instead of waiting until I came around and giving it to me. . . . Is he sick, or out of town?"

"Yes, he's out of town for a couple of weeks, on a vacation. Needed one badly too."

"Well, I'll see him next time I come around," the salesman said, and went out.

The junior partner, who on occasion called himself Harry Roberts, went into the back room for a talk with his partner, whose name at the moment happened to be, for an excellent reason, Joseph Balin.

"It's time we weren't here, Joe," he announced.

"What makes you think so; did the salesman scare you?" Joe asked.

"No; I got rid of him easy enough, for the present at least; but I think we'd better pull out while the going is good, after we get rid of the stuff that's coming in tonight."

The stuff coming in tonight was \$10,000 worth of dry goods, shoes, clothing and other merchandise, shipped eagerly by a score of manufacturers and wholesalers when they saw the familiar, sure-paying "John Bates & Co., Dry Goods, Boots & Shoes," on the orders. Added to the loot already disposed of, and the stock in the cellar, the coming shipment would make their venture yield them about \$25,000 profit.

Balin recognized his opportunity to present a plan of wider operation to his partner, and he seized it. For several days he had been waiting for an opportune moment to broach it.

"This is a good town for us, Harry," he began. "And all this territory up around here looks ripe for some more development."

"Well?" Roberts prompted.

"If we just fold up and move away

we'll be passin' up another good chance around here," Balin continued; "and where else could we go?"

Roberts pondered deeply for a moment, reflecting that the police of many cities would eagerly welcome them back to their former haunts.

"Go on," he demanded.

Balin struck a match and held the lighted stick up in his fingers in a gesture that made Roberts pale a little; and when he saw that its significance had been understood he lighted his cigar again.

"It'll be easy," he said.

Roberts swallowed hard. "Yes, but what'll it get us?" he asked.

"Well, we'll have a little fire here, and when the creditors come around we'll tell 'em their stuff was all burned up."

"How about the insurance?"

"It's lapsed; that's one reason why I want to do it, because it makes a strong point for us if any question comes up about how the fire started. We'll wring our hands and holler we're ruined; and the creditors will see that they can't get a cent."

It sounded good to Roberts until he thought of the difficulties that might be encountered if they were called upon to explain their forged orders for goods, on the stationery of the old reliable Bates house.

He spoke to Balin about it.

"Listen, Harry," Balin told him. "I was in this kind of racket before you came off the bottle. Look at this."

On a sheet of paper he wrote "John Bates"; then "J. Balin," and handed the paper to Roberts.

"What do you think I'm Joseph Balin for if it isn't to make my signature look like the old man's; there's no forgery about it."

"There's isn't a chance in the world of us gettin' caught; but if we do, our story is that we thought the old gent told his creditors that he was retirin' and we went ahead and used up the old writin' paper, being economical."

"Nobody knows us up here, and we can get away with murder," he added, "and that's why I don't want to pull a quick getaway, because we can go on here for another bust, in another town."

It took several hours of argument to win Roberts over, but the rosy pictures painted by the senior partner swayed the other into agreement,

after Balin said he himself would do the arson act.

"There won't be a thing to it," Balin assured him. "All we do is pour a little kerosene on the packing cases downstairs after we get the stuff out, run a fuse out through the keyhole of the front door; and along about eleven o'clock at night, when the streets are empty, I'll come along, step into the front doorway and light a cigar—and the fuse."

"We've got one thing to thank old

MR. HUBBELL, Manager of the Public Relations Department of the National Association of Credit Men, has put these facts into fiction form but he presents a true picture of the devious ways of credit crooks and the methods employed to circumvent them by the Credit Protection Department of the N. A. C. M.

Bates for, and that's for puttin' in a burglar alarm. It will show that nobody could have been in here for several hours before the fire started."

They laid their plans carefully, but they did not figure on Adams, the salesman who had left the store a few hours before and who was sitting on the veranda of the Mansion House up the street, waiting for the evening train back to the city. It was the inevitable thing for him to do, in Belvedere, and it was inevitable that John Bates, on his way to the post office in the afternoon, should pass the hotel.

Adams hailed him as he was going by and rose from his chair to greet him. The salesman told him about going to the store and being informed that Bates was away on vacation. Then he told the old gentleman about the order, received only ten days before, for the largest consignment of goods his company had ever shipped to the Bates store.

"It ain't my doin's," Bates told him. "It's them rapscallions that bought me out. They said they'd take care of everything, promised to notify you and all of my good creditors that I was retirin'—Come on with me; we'll go down and get to the bottom of this."

Adams laid a restraining hand on his arm; he talked with Bates for a few moments, and the old man agreed

to drop the matter for the time being and let the other handle it.

The next afternoon an investigator from the Credit Protection Department of the National Association of Credit Men was on his way to Belvedere. Adams had reported his findings to the credit manager of his firm, and the investigation had started with a telephone call to the National offices in New York.

The investigator arrived at the small town later in the evening. He went to the Mansion House, which was the natural thing to do. At three o'clock in the morning he was awakened by a commotion in the street outside, and looking from his window he saw the store of John Bates & Co. going up in smoke.

He reached the store in time to see Roberts and Balin, partly clothed, rush through the crowd and excitedly flutter about the burning building, which was fast being consumed.

A small object lying in the gutter in front of the store caught the investigator's eye, and he picked it up and put it in his pocket.

Shortly after sunrise the fire died down. Most of the damage had been done in the cellar, where the fire had started. The front of the building remained standing; and into the front, past the night constable who stood on guard there, the two proprietors made their way. They seemed to be overwrought by their loss, which, as they explained to many, was not covered by a cent of insurance. They walked nervously from the door to the cellar stairs, to and fro, in deep thought, eyes on the floor, moodily contemplating their ill-fortune.

The investigator watched them closely for several minutes as they paced the floor between the door and the cellar stairs. Their action seemed natural enough to the casual observer, but the Credit Protection representative had known of incendiary fires being set by fuses leading from the outer door to the seat of the blaze, and their movements told him that they might be tramping out the ashes of the burned fuse. His suspicions were verified when he approached the door and saw the metal of the lock, blackened by the lighted match.

The object he had picked up from the gutter was a used book of matches, such as are given away by advertisers, bearing the name and address

(Continued on page 27)

Sales Promotion Control

Maintained by a Fully Developed Credit Department

By C. W. Waters

Credit Manager, Wm. Schludenberg-T. J. Kurdle Co., Baltimore

IN order to gain a comprehensive idea of the system followed by the Credit Office of the Wm. Schludenberg-T. J. Kurdle Co., Baltimore, it is first necessary to know the relative position of the Credit Division to the other administrative branches of the business. According to the organization chart, the Credit Division functions in line with the Accounting, Financial, Industrial Relations, and other Divisions, the heads of which report directly to the President and General Manager.

This chart further indicates that the functions of the Credit Division are, in a general sense.

Sales promotion control
Scientific selection of buyers
Training of selected buyers in proper paying methods

and in a more specific sense

Credits and records
Collection records
Attorneys' collections
City, out-of-town, and branch house credits
Customers control file
Sales promotion control

The Credit Manager, in addition to being responsible for the proper execution of the above duties, is also a member of the Sales Co-ordination Committee and personally attends all meetings of the Committee. In this way, he is kept actively acquainted with the sales policies of the company and is enabled to work in unison with the Sales Division.

That the Credit Division may be prepared at any time to meet any demands upon it, regardless of the presence or the absence of any one person, we have tried to develop a system within the department that will work with as much automatic precision as possible. The mechanics of the department have been set up with such detail that the credit records of our thousands of accounts move forward without the danger of becoming entangled in administrative confusion. Such a system is necessary in a large packing house doing business with a vast number of customers, large and small, stretching the length of the Atlantic Coast line.



INVESTIGATORS of business methods in Baltimore say that the Wm. Schludenberg-T. J. Kurdle Co., meat packers, whose products are sold under the brand name ESSKAY, have one of the best organized credit departments in that city or elsewhere. The CREDIT MONTHLY is glad to present in this issue the first of two instalments giving a full description of this company's credit system by the Credit Manager, C. W. Waters. The second article will deal with collection methods and inter-department mechanism.

The president and general manager of the company, William F. Schludenberg, is one of the directors of the Baltimore Association of Credit Men.

Advance Information Files

First, we may consider the preparations made in anticipation of receipt of orders from new customers. From mercantile reports, Association trade meetings, and various other sources, information is obtained which serves as valuable credit records not only for the present but the future. We may learn that a firm—

not at present on our books but possibly a future customer—has a generally unsatisfactory and slow paying record with the trade, making it an undesirable credit risk. It is advisable that we should have this information available in our credit files as a warning should the firm later apply to us for a line of credit. This information is therefore transposed briefly to a standard "Advance Information" card which is filed in the general customers card file and becomes a permanent record. Additional information, received from time to time, is added thereto, and the card eventually becomes a composite record of the ledger experience of various creditors, available at a moment's notice.

A separate record is also kept of all bad checks given to members of the trade division of which the Schludenberg-Kurdle Co. is a member. This information may later be valuable to us, since creditors to whom bad checks have been given can be called on the telephone and first-hand experience obtained.

As orders are received from new customers, they are immediately sent to the Credit Division where the account is investigated as thoroughly as possible before the order is shipped. It must be remembered that orders for meat products are usually for immediate delivery, and very little time is available for a complete credit investigation before the shipment of the order. Advance credit records, as complete as possible, are therefore invaluable.

A new account is first referred to the general customers card file, and, if the account has at any time in the past been sold, the record will appear, showing the reason for the discontinuance of the account. If the account has been previously sold and the risk is finally decided satisfactorily, the old record is reopened. "Advance Information" cards, being in this file, will automatically appear as reference is made to the file, and this information is used in judging the credit risk. The bad check file is the next record consulted.

C.F. ADV INFO		CUSTOMER'S CARD	
Name	John Jones,	2/6/28	INFORMATION REACHES
Address	321 S. Main St. Goldsboro, N.	US TRU THE BALTO ASSN	OF CREDIT MEN THAT THIS
Salesman	26	THE TITLE OF WILLIAM	MEYERS AND HAS A GENERALITY
		UNSATISFACTORY AND SEVERAL	PAYING RECORD - SEVERAL
		JUDGMENTS ARE RECORDED	AGAINST HIM AND MOST
		HOUSEHOLDERS WILL SEE ONLY	ON C O D OR SIGHT DRAFT
		BILL OF LADING ATTACHED	TERMS
		Ledger Sheet	

ADVANCE INFORMATION CARD

As the order progresses through the system of primary investigation, the "Declined" file is consulted. Here is kept a record, on cards, of all accounts which have been declined by us, with the date and reason for the refusal. The Credit Manager may or may not see fit to extend credit to a previously declined account. When credit is given, the declined record card is taken from this file and placed in the customer's credit folder for future reference.

Next in line in the investigation is the inspection of the prospective and C.O.D. card files, which are maintained so that corresponding addressograph plates may be made for these names and circular mail matter sent them. An explanation of the control of the addressing plates, which are made for every customer of the house—credit, C.O.D. and prospective, will be given later.

The reference books of the mercantile agencies are next referred to. First grade rated individuals and firms are generally regarded as reasonably safe risks. But if adverse information is on file, the risk is reconsidered and passed upon by the Credit Manager. Second and third grade rated risks are investigated more thoroughly by means of telephone inquiries at the mercantile agencies and local houses.

In order to give the applicant proper service and avoid disappointing his trade, it is our general practice to ship out the initial order on the customary "Weekly" terms and depend upon the sales representative to make prompt collection. Since orders are usually received for immediate shipment, prompt judgment of

the credit risk is required. For instance, customers in North Carolina and other points in the South order merchandise in the afternoon for delivery to their doors the following afternoon.

When unsatisfactory information is on record in the office, the shipment of a first order is of course more carefully considered. Usually, by the time the second order is received, complete investigation has been made and the Credit Manager is fully acquainted with the circumstances surrounding the customer's business.

When complete credit reports on a customer have been made, they are referred to the Credit Manager, who examines them carefully and then jots down the outstanding factors revealed by the customers' ledger sheets, so that any of his assistants, in passing orders, may at once be acquainted with the risk by referring to the explanatory markings on the ledger record. Sometimes, these brief notations on a ledger sheet give a clear picture of the account and its history.

Usual terms are "weekly" on less than carload shipments and "order notify" on car load consignments. Collections are effected by the sales representatives as much in line with terms of sale as possible.

Recording New Accounts

New account advice is passed on to the Recording Section of the Credit Division by the Credit Manager or assistant at the time the order is passed for shipment. A credit file number is then assigned, and complete investigation immediately and

automatically started. A mercantile report is obtained on every credit account, and the report, after having served its immediate purpose, is placed in the back of the customer's credit folder for future reference. Trade references are obtained wherever possible, and, in numerous cases, Association Interchange Reports are requested. In some instances, all packers located in the same city as the customer are asked to exchange their credit experience with us. Banks, given as references, are also called on to express their opinion of the risks.

A card file follow-up is maintained on the credit investigation, and not until all reports and references have been received is the follow-up record removed from the file.

A customer's card is then made up for the general customers' card file. This record shows credit file number, date account was opened, customer's name and address and territory number. Accounts opened in the name of proprietors and trade styles, such as "John Smith, Prop., The Cash and Carry Meat Market," are cross-indexed so that, should an order be submitted in name of trade style only, the account may be located as soon as the proprietor's name has been obtained from the files. Ledger records are filed according to proprietor's names, and no merchandise is ever consigned to trade names, such as "The Cash Market." The proprietor must be known and his name must appear on all records—on each invoice and bill of lading.

The principle of shipping merchandise to persons responsible in the instances where trade styles are used protects the company from shipping products to unknown persons.

Thus if John Smith, proprietor of the Cash and Carry Meat Market disposes of his business overnight, he will not fail to notify us, because he realizes that, according to our records, he is personally responsible for the purchases of the Cash and Carry Meat Market.

When an applicant for credit has been sold previously, the old customer's card and ledger sheet are reopened; and the new file number, date of re-opening account, customer's name and present address are shown, as usual, on the customer's card.

As an initial order is invariably compared with the prospective file, the C.O.D. and declined files, any
(Continued on page 26)

Steam Boiler Insurance

And Its Relation to Credit

By Clarence T. Hubbard

THE credit manager is not wholly unaccustomed to hearing folks blow off steam. Sometimes steam blows up. Without steam boiler insurance, credit, too, sometimes blows up.

A steam boiler insurance policy is for the protection of the owner of a steam boiler. It protects and indemnifies for immediate property damage, loss resulting from the explosion of a steam boiler, also loss of life and personal injury resulting from the same cause if the steam boiler insurance policy is so extended. Like other liability forms of insurance a steam boiler insurance policy does not directly indemnify those who might so insure, but protects the owner of the boiler against suit and other financial recourse the insured may have.

The importance of the property damage form of steam boiler insurance is really in its specialized inspection service. Not only do the carefully trained inspectors examine and inspect the boiler as an object of prime importance but also the properties surrounding the boiler which an inspection brings into equal consideration.

For in addition to checking up the horse-power, pressure and working parts of the boiler, the insurance inspector goes farther and makes sure that the boiler room is properly lighted, that the steam gauge is clean, that the exits to the boiler room are free and unlocked and that the stairs are guarded. He notes whether or not the runways are railed and lighted, the proper ladders are in place, and the hot-water wells and pipes are properly covered.

The thorough inspection service which is associated with this form of insurance also demands that the insurance inspector make certain that

the engine room equipment is in good order and that all danger points are free from defects which could lead to a boiler explosion.

These inspections go so far as to include the examination of hangers, pulleys and all sorts of wheels, even to the general observation of electrical equipment and the personal qualifications of the boiler room employees. The analyzing of the water which goes into the boiler is not overlooked. On the whole, a pretty thorough check-up.

The actual rates charged for insuring steam boilers are low when the service rendered is considered. This service is so broad and the necessary training of such special nature that an immense technical organization is required to carry it on.

Approximately \$9,000,000 in steam boiler insurance premiums is written each year in the United States alone, which indicates that only a small portion of the steam boilers in the country are insured.

What, you ask, should the credit manager consider as danger possibilities which might lead to the explosion of a steam boiler and possibly the demand for steam boiler insurance?

The first explosion hazard is that of uncontrolled hot-water pressure when more steam is produced than a boiler can hold. The opposite—low water pressure—which often results from carelessness or defective piping, is also a cause of many violent boiler eruptions. Sometimes boilers in becoming connected with other boilers are caused to explode from miscalculation of the various pressures.

When boilers do explode they are sometimes most violent, the entire boilers being thrown into the air. This is generally accompanied with

the frightful danger of escaping hot water and steam as well as the many casualties recorded from the "throwing of a fire" when the boiler explodes.

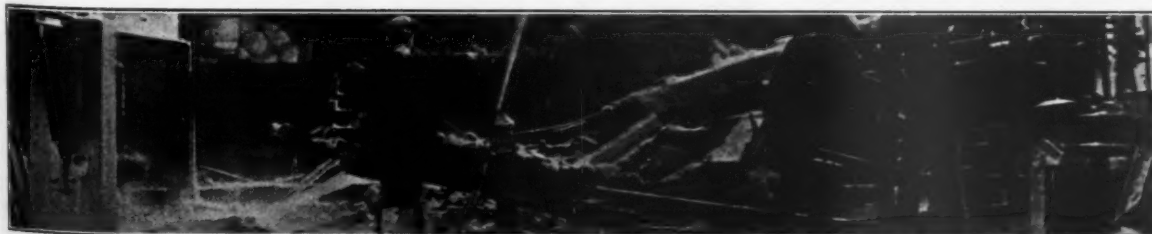
A faulty steam gauge may lead to an explosion; or the freezing of a pipe on the outside of the building which interrupts the flow of water. The engineer who is responsible for the boiler may not always detect these danger points, but an outside or third person, as a trained inspector, will soon notice the irregularities and make the proper recommendations.

The fact that oil fuel systems are now taking the place of coal-fired furnaces in many places in no way affects this steam boiler protection. Steam boiler insurance does not cover the explosion of an oil-burner, or of a furnace, or an explosion from coal dust, or anything of a similar nature, but merely the explosion of the boiler itself.

Insurance buyers should remember that the so-called simple explosion policy particularly excludes steam boiler explosions, for the fire insurance companies which write explosion insurance are not permitted under their charters, as a rule, to assume the steam boiler explosion hazard. Therefore, never make the mistake of counting on an explosion policy to take care of your boiler hazards.

As a policy, steam boiler insurance is like all other contracts of insurance and is subject to co-insurance and other policy terms, and can be written for periods of from one to five years with the premium paid in advance. In addition to the straight property damage protection, there is steam boiler; use and occupancy; Rents; Liability; and all of the allied forms of insurance.

Steam boiler insurance—and more particularly its loss preventive service—is an important check-up to the credit manager, whether a banker advancing funds to a manufacturing plant, or a jobber storing goods in a steam heated warehouse.



Hartford Steam Boiler Inspection and Insurance Co.

As the Sales Manager Said to the Credit Manager



A "Gasoline Alley" strip by Frank King reprinted by permission of The Chicago Tribune.

Addresses Wanted

This column is read by some Credit Managers before any other feature of the magazine. Any member of the National Association of Credit Men can have names listed herein. He has only to send the names to the secretary of his local Association of Credit Men or to S. Ardron, Jr., Credit Protection Department, N. A. C. M., One Park Ave., New York.

ALBANY MIRROR & GLASS CO., formerly 91 Quail St., Albany (Louis Rosinsky, Prop.), Albany, N. Y.
ALLEN, BILLY, formerly of White Horse Pike, Marmolia Heights, N. J.
AUDETTE, B. J., formerly Flanders Studio, 4155 Broadway, Chicago.
BALENGER, PAUL C., formerly 182 So. Liberty St., Spartansburg.
BAXT, MARTHA, formerly 6005 Fourth Ave., B'klyn, N. Y.
BENNETT, C. E., Dba. Educational Supplies Co., formerly Pocahontas, Idaho, also Salem, Ore., Portland, Ore., and Burns, Ore.
BEVERLY STATIONARY, formerly 361 Lexington Ave., N. Y. C.
BLUMENFELD, J. A., formerly 2814 Fulton St., Brooklyn, N. Y.
BRANNER, HAROLD C., Dresscraft Co., 151 W. 35th St., store at 27 Main St., Yonkers, N. Y., resided at 315 W. 98th St., N. Y. C.
BRONSTEIN, RUBEN, formerly 31 Lewis St., Newark, N. J.
BUCHSBAUM, ALEX., formerly The Park Hardware Store, 215 No. Main St., Scranton.
BUSKIRK, W. D., formerly Yukon, W. Va.
CENTRAL GLASS WORKS, 1665 Park Ave., N. Y. C.
COCHRAN, W. H., d/b as W. H. Cochran Drug Co., also known as Dr. Cochran, formerly of Hardtner, Kansas, LeMonia, Iowa, Alva, Okla., thought to be in Kansas City.
COSLETT, CHAS. H., c/o Kay Grocery, R. F. D. Route B, Blackwell, Okla.
COX, O. E., formerly prop. Snyder Apple House, Snyder, Tex.
DAVIS, HENRY G. G., formerly Miami Drapery & Shade Co., 1328 N. E. 2nd Ave., Miami, Fla.
DEUTSCH, LEO, formerly connected as Deutsch Bros., 1770 Madison Ave., N. Y. C.
DE MANN'S SERVICE STATION, formerly of Melville, La.
DESIND, M., formerly 644 E. 6th St., N. Y. C.
DION, EDWARD, formerly 994 Main St. & 10 Wendall Ave., Springfield, Mass.
DONOVAN, J. P., formerly 1206 E. 12th St., Kansas City.
EARLE & CO. O. M., E. B. Newman Sec. & Treas., 207 Duane St., N. Y. C.
EDELSON, S., formerly in business at Medford, N. J., and residing at Cross Keys, N. J.
EMPIRE RADIO SUPPLY CO., formerly Bronx, N. Y.
EXCELSIOR FLOWER CO., formerly Carl Cotton, prop., 236 4th Ave., N. Y. C.
FEINBERG, JACOB, Javan Mfg. Co., 15 W. 17th St., N. Y. C.
FEUERSTEIN, IRVING, Harlem Pharmacy, 2298 7th Ave., N. Y. C.
FULLER, CLAIRE (MISS), formerly 34 W. 51st St., N. Y. C., later Lake George, N. Y.
THE HAMILTON MFG. CO., INC., formerly 8-10 W. 19th St., N. Y. C.
HEALY, LESLIE J., formerly operated Great Western Rug & Linoleum Co., 1139 W. 79th St., Chicago.
HODGKINS, J. L., formerly prop. Stock Yards Market, 2464 N. Main St., Fort Worth.
HOEHNKE, J. J., formerly of Wabeno, Wis., Chicago, Ill., now believed to be somewhere in Idaho.
HURLBERT, N. E. Prop., Washington Hotel, Washington, Kans.

ILLINOIS GLASS & CABINET CO., 1152 W. Roosevelt Rd., Chicago.
IMRIN, ISADORE, 3334 Madison Ave., Chicago, Ill. Belle Lingerie Shop, residence formerly 1817 S. Central Park Ave., Chicago.
K. & K. VARIETY STORE, formerly Benton Harbor, Mich.
KAISER, PAUL, formerly prop. Sanitary Bakery, Hephzibah, Texas.
KARLSEN, VICTOR, electrician, formerly Ely, Nev., now believed to be in Chicago.
KAY, W. M., formerly of Massillon, Ohio.
KELLY'S CUSTOM SHOP, formerly Scranton.
KNOWLES, A. T., 228 8th Ave., N. Y. C.
LAVALLEY, GEORGE B., formerly Burlington, Vt.
LEIB, JACOB, trading as Brooklyn Enamel Stool Co., formerly 84-86 DeBevoise St., Brooklyn, N. Y.
LEWIS, MARY, formerly of Berwick, La., believed to be in Lafayette, La.
LILLYWHITE, J. C., electrician, formerly Bingham City, Utah, now believed to be in either Los Angeles or San Francisco.
MARCELLA LABORATORIES, formerly Geo. J. Drab; Marcella Drab, Richard J. Barnes, Chicago.
MAUPIN, B., formerly Bloomfield, Mo.
MAYNARD, R. A., formerly Maynard's Dairy Farm, Holcomb, Mo.
MAZUR, M. I., formerly 210 Transportation Bldg., Los Angeles, Calif., last heard of c/o D. J. Rosenthal, 403 Coswell Block B, Milwaukee.
MEIRCL, G. W., Leesville, La., moved to Oakdale, La., then later to Leesville.
MICHELL, N. P., formerly prop. of the Cosmopolitan Confectionery, Miami, Ariz., believed to be in Wink, Tex.
MILLER, E. R., former prop. of Dick's Popular Price Shoe Store, Peru, Ind., supposed to be in Calif.
MOON & HARSHAW, formerly Corning, Iowa.
MOORE, GLEN, formerly of Stevens Point, Wis.
MOTE, D. R., 105 N. Paxton Ave., Sioux City, Iowa.
MULHERN, EUGENE E., formerly located with the Garden City Construction Co., at 39 South 1st St., Chicago.
MULLER, HUGO, formerly at 3232 W. Penn St., Germantown, Pa., now supposed to be in N. Y. C., was in the cigar business at Norristown, Pa.
NAKUSKI, E. S., formerly at 3225 LeLand Ave., Chicago.
NANTZ, A. B., formerly of O'Donnell, Texas, located now in Florida.
NATIONAL GLASS CO., 1106 Westchester Ave., N. Y. C. (Mr. Finkelstein, prop.)
NICHOLSON, F. J., formerly prop., Sanitary Bakery, Hot Springs, New Mexico, believed to be in Wink, Tex.
ORMANT RADIO SERVICE CO., formerly 97 Chambers St., N. Y. C.
OSUNA, M., formerly Hebronville, Tex., believed to be in Mexico.
OVERDORFF, I. C., formerly tlg. as Miami Shores Candy Co., Miami, Fla., believed to have gone to Kansas City.
PACK, JOE OR JOSEPH, also the F. & M. Shade Co., formerly located 33 Broadway, Newark, N. J., & 149 So. Orange Ave., Newark, N. J.
PEOPLES' INDUSTRIAL GLASS CORP., formerly 26/16 Dittmas Ave., Astoria, L. I. (Louis Spatog, Harry Valag, Anthony Frickefeld, officers).
PIXLEY, MRS. CHAS. L., formerly Dixie Highway, Weirale, Fla.
PROSPECT ART GLASS WORKS, 841 Liberty Ave., B'klyn, N. Y.
PRYOR, TANDY, formerly in shoe business as Fryor's \$5.00 Shoe Store, Tampa, Fla., last heard from in Sanford, Fla.

RACKOFF, GEO., formerly 1022 Longwood Ave., New York, N. Y., and 443 Alabama Ave., Brooklyn, N. Y.
REILLY, J., formerly owner of the Panther City Fish Market, 312 Main St., Fort Worth, Tex.
REISKIND, S., 314 North Ave., New Rochelle, N. Y.
REITANO, JOHN, formerly at 108 So. 4th Ave., Mt. Vernon, N. Y.
RIZZO, A., formerly 433 Lorimer St., Brooklyn, N. Y.
ROGERS, J. R., formerly Tampa.
ROSENGARTEN, ISAAC, formerly Biltrite Coat House, 108 So. Main St., Waterbury, Conn.
ROSENZWEIG, M. A., formerly 373 5th Ave., Brooklyn, N. Y.
SANDOWSKI SHOE CO., J., formerly 418 Wells St., Milwaukee.
SALINGER, PHILIP, formerly Salinger's Music Shop, 2146 E. 7th St., B'klyn, N. Y., 1973 Conev Island Ave., B'klyn, N. Y.
SCHNEIDER, SOLOMON, Tdg. as S. Schneider & Son, 21 Scammel St., N. Y. C., residing at South 3rd St., B'klyn, N. Y., also J. Atlas, formerly 21 Scammel St., N. Y. C.
SELIGMAN, NATHAN, formerly of Miami, Fla.
SHAFTER, J., formerly 194 West End Ave., N. Y. C.
SHAPIRO, SAMUEL, formerly doing business, Academy Floor Surfacing Co., 2 W. 107th St., N. Y. C.
SHERLOCK, JAMES, paving contractor, formerly of Omaha, Neb., and Columbus, believed to be somewhere in Texas.
SPRINGALL, R. J., electrician, formerly Green River, Utah, now believed to be in either Los Angeles or San Francisco.
STANDARD WINDSHIELD CO., formerly 222 W. Market St., Indianapolis.
STEVENSON, H. W., formerly of Birmingham, Ala., manufacturer of telephone crossarms, etc.
SYRING, NELLIE, formerly operating the Nellie Beauty Shoppe, 322 Albany Ave., B'klyn, N. Y.
TERZIAN, K., formerly prop. Red Bank Glass Works, Red Bank, N. J.
THOMAS, R. H., firm of R. H. B. M. Thomas, formerly 431 Peachtree St., Atlanta.
TILLERY BODY & FENDER WORKS, formerly of Selma, Ala.
TOWSEY, A., Spencer, Ind., formerly in shoe business.
VAN DERVORT, P. D., formerly of 20110 Detroit Road, Rocky River, Ohio.
VAN SCOY, C. R., formerly prop. Rankin Laundry & Dry Cleaning Co., Rankin Upton County, Tex.
VORTCAMP, CHARLES J., recently located at Madeira & formerly in the retail drug business at Lima.
WALTERS, FRANK, formerly prop. Arizona Baking Co., Lowell, Ariz., believed to be in Los Angeles.
WATERS, CHAS. A., formerly of 1014 North 8th St., Kansas City, Kans., believed to be in Baltimore or Phila.
WELLS, C. F., formerly Peoria.
ZILAS, ALEX., formerly 160 E. 42nd St., N. Y. C.

ASSISTANT AVAILABLE

I am 30 years of age, married, beginning fifth year as Credit Manager of manufacturing company. Want connection with larger opportunity; will go anywhere. Would not care to leave present employers without thirty days' notice. Prefer to start as assistant. If opening available now or in future I solicit an opportunity to discuss by letter or interview. Address Box No. 52.

New and Good Credit Methods

Openmindedness an Asset for Executives

By Raymond E. Bell

Raymond E. Bell, Inc., New York

WE have had occasion, in several of the preceding articles of this series on Credit Engineering, to point out the breadth and scope of the Credit Manager's function. How it has spread from the scrutiny of customers' liability to the supervision, likewise, of the detailed routine that surrounds it. Particularly, we have shown the intimate relation of credits to accounts receivable and we have indicated how, in this latter department, the use of machinery has been of the utmost consequence in handling the constantly mounting volume of transactions as business increases and accuracy becomes more difficult to maintain.

Nowhere in the factory has the genius of American mechanical prestige been more completely established than in the modern billing machine in the office. The brief impulses applied to the keys, the mysterious clicking of its internal mechanism, and the final register of the extension, automatically impressing the result without a single mental calculation, is an accomplishment which only the modern American business man, with his taking for granted of mechanical achievement, looks upon without astonishment.

On a recent visit to this country, a European business executive, head of a large group of industrial enterprises, called upon me for aid in studying American methods. When asked what was his particular interest, he responded: "Your office machines." Standing before one of these giants of machine calculation, he was silent for a time. Then turning his head slowly to and fro, he muttered: "Marvelous, marvelous—but would our people accept them?"

Although the executive is inclined to approve, will the worker adopt? That is the question. And even in the United States, this obstacle stands forth more than the business man is willing to admit or perhaps to recognize. Subordinates are prone to assure him that things go very well as they are. The proposed change would require too much ad-

justment to new methods, they say—has been tried before and did not work out. These are among the observations one is likely to hear at such a time from those whose minds are closed to further consideration.

No Fear of Change

An organization built upon a solid foundation of training feels no timidity or anxiety when there is need of change in the habits of its employees. Its executives proceed to study the objections with a view to a thorough analysis of the facts. The objections are arranged in two groups.

(a) First are those which arise out of a reluctance to give up existing ways of performing the task, solely because the force is used to them. These are the personal objections, born of the need of human readjustment. They represent the points at which training will need to be applied in the introduction of new methods.

(b) In the other group of objections are the changes of routine and procedure that will have to be made, such as the redesigning of forms and the rearrangement of individual and departmental relations. These obstacles represent a need of technical rather than personal readjustment.

The changes of habits necessitated by the introduction of office machines, are usually the more difficult to handle, although they are the least valid. Few people really enjoy a change, whether it be mental or physical. The desire to become settled in one's work is the almost universal tendency. Seldom are there to be found those who voluntarily seek for different, even if better, ways. While we are all led to wonder at the habits of the other fellow—his involved ways of doing things in order to arrive at a desired end—we are likely to go about our own work, unconsciously, in exactly the same way.

The Credit Manager, if he is not giving attention to the training of his force, is permitting the develop-

ment of habits which make his methods gradually look to him as if they were the only way to carry on. His daily troubles grow to be quite the natural and unavoidable accompaniment of each day's work and there seems to be no good way out.

Perhaps the machine, so obviously a help, attracts his attention and he is inclined to make a trial of it. Willingness to consider is one way a man may prove to himself that he is openminded. But unless there is a definite plan in mind, the experiment may prove unsuccessful when it should be a success. The invoice, for example, may not be adaptable to the new method and it may require some skill to change it.

Next, it may mean a rearrangement of the workers and their training in new habits. This is likely to bring considerable opposition at first, though, as is the case with all machine operations after they are organized, it is equally likely to become popular in the end for its relief from arduous labor.

His Pet Idea

Finally, the opposition to the machine may arise out of the need to abandon a pet idea that favors the old ways. The manager himself may have designed and organized the system it is proposed to replace. Although his system may now be outgrown, he may think the change will be construed as an acknowledgement of guilt. He is reluctant to take the ground that new and better methods are but an indication of progress on his part.

When we meet opposition of this character to changes, it is well to remember that, although the ease with which habits are altered varies in different persons, a human being still has unusual powers of adaptation when once forced to change.

Some managers, recognizing the need of developing this adaptability in their subordinates, seek ways in which each job may be changed somewhat from time to time, if for no other reason than to keep alive in

(Continued on page 29)

The Credoscope

By Stephen I. Miller

Executive Manager, Secretary and Treasurer, National Association of Credit Men

Demand

EVERY producer, distributor and credit manager wants to expand the market for his commodities. This pressure to increase volume has often resulted in cut-throat price reduction, bad credit risks and sometimes in unfair discounts. There are some who feel that the demand for products is not as great as in former times; others, that it is not as great as should be reasonably anticipated; still others believe that DEMAND is fickle, inconstant and unstable.

Not every one carefully distinguishes "Desire" from "DEMAND." This is one of the first necessary steps in economics. The whole world desires an endless variety and volume of things. The Socialist says there is no such a thing as a limited DEMAND. He means that there are hungry and even starving people, while at the same time quantities of goods do not find the market. The statement is correct, but does not possess any sense. Commodities should not be sold at prices which will not meet cost, or at a price which will jeopardize a reasonable profit. The difference between desire and demand can be easily illustrated. A commodity priced at \$1.00 may find a demand on the part of one thousand people; at 75c, two thousand may buy it, while at 50c the market may be extended to four thousand buyers. It is evident that many people have desires which may become demands as the price of the goods goes down. Desire is potential DEMAND.

This brings us to one of the most interesting problems in present-day business—the elasticity of DEMAND. The elasticity of the market for commodities is determined by the response of buyers to changes in prices. One can say there is a

general law in business which may be stated as follows: As prices go up, DEMAND falls off; as prices go down, DEMAND goes up. Too many business men have accepted this general principle without giving it careful study. For example: a lower price for cigarettes will not increase demand for them to any appreciable extent. Price cutting on part of producers and distributors would not be rewarded by a large increase in the use of tobacco. Neither would an increase in price cause many people to go without it. In other words, the demand for tobacco is relatively inelastic and such a market means stability for the tobacco industry as far as DEMAND is concerned. There may be keen competition for the sale of such a commodity, but such competition will express itself in advertising, rather than price cutting.

Commodities Differ

On the other hand, there are commodities which find a much larger sale as the price is lowered. Each commodity is more or less a law unto itself. Every manufacturer, wholesaler or retail merchant should carefully analyze the DEMAND for the product which he has for sale. Supposing a merchant desires to move a stock of goods as quickly as possible; how will he price the different commodities? It may require a heavy cut in the glove department, and only a minimum reduction in the price of groceries. The importance of the elasticity of DEMAND extends from shoe-strings to bonds. Not long ago a very well known corporation floated a large issue of bonds at a price of \$94.00 to the purchasers. In a very few hours this entire issue was over-subscribed, which might indicate that a price of \$95.00 could have been realized. The

difference of \$1.00 would have made a substantial sum for the corporation.

The question of mark-up is one of the most technical and far-reaching problems that faces the producer and the merchant. Let us assume that the merchant has carefully studied the elasticity of DEMAND for his goods, determined the element of competition and arrived at the profit he hopes to make; how will he proceed to determine the prices? Let us present the problem in the language of one of our leading economists and business men.

"There is no phase of retailing about which the average retailer is more densely ignorant than that of determining the sale price. If the gross sales of the previous year were \$200,000.00 and the gross expenses outside of the cost of the goods were \$50,000.00, it would be evident that the selling expenses were 25 per cent. If then, the retailer should want to make a net profit of 5 per cent. on each dollar of sales, what would be the proper selling price for an article which cost him \$30.00?

Mark-up Vital

"Inconceivable as it may seem to any one who knows simple arithmetic, there are literally thousands of retailers who feel that it is necessary only to add the selling expenses, 25 per cent. (\$7.50) and the desired profit 5 per cent. (\$1.50), to the cost price, \$30, and thus sell the article for \$39. However, if they do this, we find that they are far from accomplishing what they set out to do. Assuming that they sell the article for \$39, the selling expense is 25 per cent of the selling price or \$9.75. Deducting \$9.75 from the selling price, \$39, there is but \$29.25 left with which to pay the \$30 which the article cost.

"How should a retailer determine the selling price? He should add his selling costs (25 per cent.) to his desired rate of profit (5 per cent.) and subtract this sum from 100 per cent., which represents the selling price. The answer, 70 per cent, would mean that the cost price should be 70 per cent. of the selling price. He should then divide \$30 by 70 per cent., or .70. He would now have found \$42.86 to be the price at which he must sell if his selling costs were 25 per cent. and if his net profit is to be 5 per cent. His selling costs would therefore be 25 per cent. of \$42.86, or \$10.72, and his 5 per cent profit would amount to \$2.14. If the sum of these two figures, \$12.86, were deducted from the selling price, \$42.86 the retailer would have \$30 left to pay the cost of the article.

"On the other hand, if he wanted to sell the article for \$42.50, the most he could afford to pay for it would be \$42.50 minus 30 per cent. of \$42.50, or 70 per cent. of \$42.50. This sum would be \$29.75, and if for such goods the customary prices were \$42.50, \$45, and \$50, he must either have obtained the article for \$29.75 or else he would have to take less than 5 per cent. profit if he should sell it for \$42.50."

General Rules

Leaving the question of mark-up and coming back to elasticity of DEMAND, it may be helpful to enumerate the broad rules or conclusions that have been laid down relative to it.

1. The demand for luxuries is more elastic than the demand for necessities.
2. The demand of the poor is more elastic and responsive to changes in price than the DEMAND of the rich.
3. The demand for those commodities the use of which has become habitual is inelastic. One reason for governments levying taxes upon tobacco is that its consumption will not greatly decrease because of the increase in price due to the taxes, thus assuring the government of considerable revenue.
4. The demand for those commodities which have substitutes is more elastic than for those goods which have none.

5. Commodities which many use have a more elastic demand than commodities which only a few use.

If we apply these rules to a few commodities, it is evident why the demand is either responsive or unresponsive to change in price. The demand for bread is inelastic because bread is regarded as a necessity. The demand for eggs is elastic because they are not an absolute necessity and furthermore may be used in many different ways in the preparation of food. The demand for matches is inelastic both because of their necessity and because there is no cheap substitute for them. The demand for theatre tickets on the part of the poor or the moderately well-to-do is elastic because they are luxuries. The demand for tobacco, for example, is inelastic because its use has become habitual to many people.

Effect of Waste

Another important problem that confronts the American people is waste. A word should be said about its uneconomic character, and then another word about its effect upon the DEMAND for commodities.

It is often said by thoughtless people that wasteful expenditure is justified because it increases the circulation of money and gives greater employment to the laboring classes. This argument is unsound. If the capital and labor which are expended in producing luxuries were turned to the creation of a larger supply of necessities, society as a whole would be better off. In short, the argument offered in justification of wasteful expenditure takes for granted that labor and capital cannot be utilized in any other way than in the reproduction of economic goods wastefully consumed. For example, in times of war, there is an increased demand for labor and capital for the manufacture of war materials. Wages and interest rise. Labor and capital engaged in the production of war commodities increase, and the output of peace-time goods is correspondingly reduced. The general price level rises more rapidly than does either wages or interest.

It is usually the case in times of war that, in spite of higher wages, the standard of living of the unskilled laborer and of other classes

on fixed incomes is reduced. Because a part of the productive power of a nation is used in making cannon shot and shell, warships, armies and navies, the supply of wheat, sugar, leather, cotton and so forth, tends to be less, and society as a whole suffers. Only certain individuals profit by war expenditure, not society in general. The same is true of all forms of wasteful expenditure.

The problem of wasteful expenditure may be approached in a different way. A \$1,000 banquet for a party of ten gives employment to food producers, cooks and waiters. And it may be assumed that an expenditure of \$1,000 will put in a private irrigation system capable of bringing water to a forty-acre farm. Such an enterprise will also give employment to men who produce and install waterpipe. Evidently an equal though different type of employment is the result of either expenditure. The substantial difference in these two illustrations is to be found in the utility of the one expenditure as compared with the other. The \$1,000 spent for the banquet will provide a usefulness or utility of short duration, while the \$1,000 spent for the irrigation system will provide a utility covering a long period of years. A very effective method for determining the economy of a given expenditure is to compare its utility with the utility coming from some other use of the money.

The total waste of the United States has been estimated to be 10 per cent. of our gross income. If this be true, it amounts to several billions each year. Waste on the part of the consumer reduces his standard of living. A man with an income of \$1,000 per year who wastes one-tenth of it, reduces his standard of life by just \$100. Waste on the part of producers and distributors increases costs, thereby making it necessary to charge more for commodities sold. Reduction of waste would reduce prices and reduced prices would increase demand. Let the credit manager feel that he has a responsibility and an interest in waste. Bad debts are a part of the cost of doing business; they amount to more than five hundred million each year; they jeopardize business.



One Month's Convictions

(February, 1928)

Obtained by the Credit Protection
Department of the National
Association of Credit Men

CASE	PERSONS CONVICTED	CHARGE	SENTENCE
Samuel Lefkowitz Brooklyn, N. Y.	Samuel Lefkowitz	Concealment	15 months
J. Lieb Jamaica, L. I.	Joseph Friedman	Using mails to defraud	Deferred
Bay Ridge Bldg. Material Corp. Brooklyn, N. Y.	Benj. L. Stein	Attempted forgery and the issuance of a false statement	2½ to 5 yrs.
Pashkowitz & Skoller Brooklyn, N. Y.	Irving Pashkowitz Leonard Skoller	Concealment of assets Concealment of assets	2 months Suspended sentence
Kalin Company Baltimore, Md.	Walter Fox Jerry Greenberg Albert Freefeld	Violation Section 215 Violation Section 215 Violation Section 215	21 months Atlanta Penitentiary 2 years Atlanta Penitentiary 10 months Baltimore City Jail
Beaufort Bank & Truckers Supply Co. Beaufort, S. C.	W. E. Richardson R. C. Horne Miss Eulah Harvey	Conspiracy Conspiracy Conspiracy	Deferred Deferred Deferred
Kannan Brothers Wake Forest, N. C.	James Kannan Howard Kannan Joseph Kannan Fahamey Kannan	Conspiracy to defraud Conspiracy to defraud Conspiracy to defraud Conspiracy to defraud	1 to 2 years in State Penitentiary 1 to 2 years in State Penitentiary Suspended Suspended
United Textile Stores Utica and Schenectady, N. Y.	Samuel Spector Nathan Spector Joseph Spector Louis Spector	Conspiracy to conceal assets Conspiracy to conceal assets Conspiracy to conceal assets Conspiracy to conceal assets	1 year and 3 months at Atlanta 1 year and 3 months at Atlanta 1 year and 1 day at Atlanta Placed on probation for 2 years
Baltimore Jewelry Co. Baltimore, Md.	Louis Bruner John C. Ehrlich Nathan Lindenbaum Joseph Abrams	Violation of Postal Laws Violation of Postal Laws Violation of Postal Laws Violation of Postal Laws	2½ years in Atlanta Penitentiary 2½ years in Atlanta Penitentiary 2½ years at Atlanta 18 months in Atlanta Penitentiary
The New York Outlet Store Benton Harbor, Mich.	Sol Jacobs	125 P. C. Perjury	Sentence deferred
The Eagle Store Webb City, Mo.	Jack Levy	Concealment of Assets, in Bankruptcy Law	One year, three months, Leavenworth Penitentiary
Wm. A. Darnell Alvaredo, Texas	Wm. A. Darnell	Concealment of Assets in Bankruptcy	One year, one day, Federal Penitentiary, Leavenworth, Kansas
Ike Bersofzky Aurora, Ill.	Ike Bersofzky	Vio. Sec. 215 C. C.	\$500.00 Fine
Harry Goltz Tulsa, Okla.	Harry Goltz Joe Pruzen	Vio. Sec. 37 U. S. C. C. Vio. Sec. 37 U. S. C. C.	\$500.00 Fine \$250.00 Fine
Mullins-Collins Merc. Co. Bixby, Oklahoma	Benj. F. Mullins	Vio. Sec. 215 P. C.	Sentence deferred
Joseph Ferris Jenks, Okla.	Joseph Ferris	Concealment of Assets	Sentence deferred

Suggestion: The above information will enrich your credit files!

Compromise Settlements

Are They Ever Justified?

By O. E. Dreutzer

Alms & Doecke, Cincinnati

EVERY liquidation of the affairs of an insolvent debtor, either through friendly trusteeship, State receivership or Federal Bankruptcy, constitutes a compromise of the debts of a debtor by means of an equitable distribution of cash returns from assets to all claimants for the full satisfaction of his financial obligations. Compromise in this sense is generally approved in modern day business.

General catastrophes visited upon business communities such as earthquakes, volcanoes, cyclones, floods, tidal waves, etc., over which debtors have no control, usually leave keen financial distress in their wake by destruction of capital assets and undue interruption of activity to otherwise financially sound and well organized business.

It is not only proper and ethical for manufacturers and distributors to co-operate with their customers under such circumstances by accepting compromise settlements commensurate with the financial status of each case for the purpose of making it possible for the debtor thus affected to carry on, but just as much their right and duty to do so as it would be to subscribe to a fund for the relief of the physical suffering of the masses of that self-same community.

The compromise idea as employed in this way cannot be regarded as particularly objectionable, but rather the compromise method of settlement as a practice of the involved or insolvent debtor in the regular course of business for the purpose of continuing or perpetuating his business effort by such financial relief.

Some proponents of the compromise idea in this sense advance the opinion that the debtor should be given another opportunity to make good if he has shown a disposition to be honorable in his dealings in the past.

Arguments for Compromises

Some say more can be realized by sale of the business back to the debtor in this way than by friendly or court process in the sale of the



business to others or actual liquidation of the business by a "complete close-out." They point out that the usual heavy expense incident to insolvency court administration can all be avoided by thus treating with the delinquent involved or insolvent debtor direct and making this kind of a trade with him on his debts.

Others are actuated in their support of the compromise by a desire to preserve the outlet for their product, thinking that by permitting the debtor to carry on they will make up

any temporary loss by profits on future sales. Others encourage this practice as the easiest way out of a complicated financial situation and surrender to compromise persuasion along the lines of the least resistance. Still others are simply bluffed into it by the debtor's threat of bankruptcy.

It seems to me that it is not only our duty but our privilege as credit executives to perform a prominent part in guiding the destiny of business from unsafe hands into financially sound and competent custody; and we certainly cannot accomplish this end by promiscuously accepting compromise settlements from every commercial beggar who comes our way.

If the Compromiser puts through an advantageous settlement for himself then he cheats his creditors. Who wants to transact future business on terms of credit with a known cheater? If on the other hand, creditors get the best end of the argument in a compromise then they have cheated and handicapped the debtor and it will only be a matter of time until the debtor will be compelled either to put through another even cheaper settlement or give up the ghost entirely. So why prolong the agony? Does the debtor really make good any way if he fails to pay his debts according to contract price of 100 cents on the dollar?

Granted that more can sometimes at least be realized in returns through compromise settlements with involved or insolvent debtors than by the several processes of liquidation—any way, must the almighty dollar be the only governing factor in modern credit practice?

If creditors would in every instance co-operate in a friendly trust liquidation as enthusiastically as they join together at times in accepting compromise settlements, I venture to say more could always be realized by orderly liquidation than by compromise.

I regard the compromise idea as employed in the going business as a

COMPOSITION settlements,—except after a thorough investigation, preferably through an Adjustment Bureau, and the determination that there are no evidences of fraud or unfairness,—have been condemned repeatedly by resolutions of the N. A. C. M. at its annual conventions. Mr. Dreutzer, who is Vice President of the Cincinnati Association of Credit Men, goes one step further and recommends that every offer of a composition settlement be declined (except where a catastrophe of nature has occurred) and vigorously expressed this opinion recently at the Ohio State Conference at Cincinnati.

distinct means of price discrimination in favor of one business man over another in the same trade line who holds strongly to the high purpose of fulfilling his credit contracts 100 per cent. I represent a "one price house" and as its credit representative I am not properly supporting its distribution policy when I take it upon myself to cut its prices after the goods have been billed and delivered. Neither am I giving our other merchant customers in the same business community a square deal when I inconsiderately seek to price their competitors' merchandise at a few cents on the dollar of what they must pay us for the same goods.

The compromise system, I further contend, is even more insidious and demoralizing to a local business community than the open sale of distress merchandise on that same market which does at least permit of competitive bargaining in raising the price levels. The compromiser is placed in a position of being able to under-price his merchandise to the consuming public of his home business community against the legitimate prices of the merchants of that same community who pay dollar for dollar for their goods. The responsible and reliable retail merchants themselves are rebelling—and rightfully so—against the compromising wholesaler.

The compromising merchant usually makes one kind of a financial statement to get credit and quite another kind of a statement the very next day to induce an advantageous settlement. The one is optimistic and inviting, the other dark and discouraging—whichever suits the occasion. He starts out with the lowest possible percentage that might be considered and works upward according to the measure of resistance encountered. A creditor never knows just when an offer is genuine, the best that can possibly be obtained.

Then, when the settlement is finally blocked through the determined opposition of one or more conscientious objectors, who cannot be conveniently satisfied otherwise he falls back to his last resort of obtaining "adjudication for composition purposes" through the Federal Bankruptcy Courts. There, with the assistance of a majority in number and amount, he finally prevails in his purpose over every obstacle and all opposition.

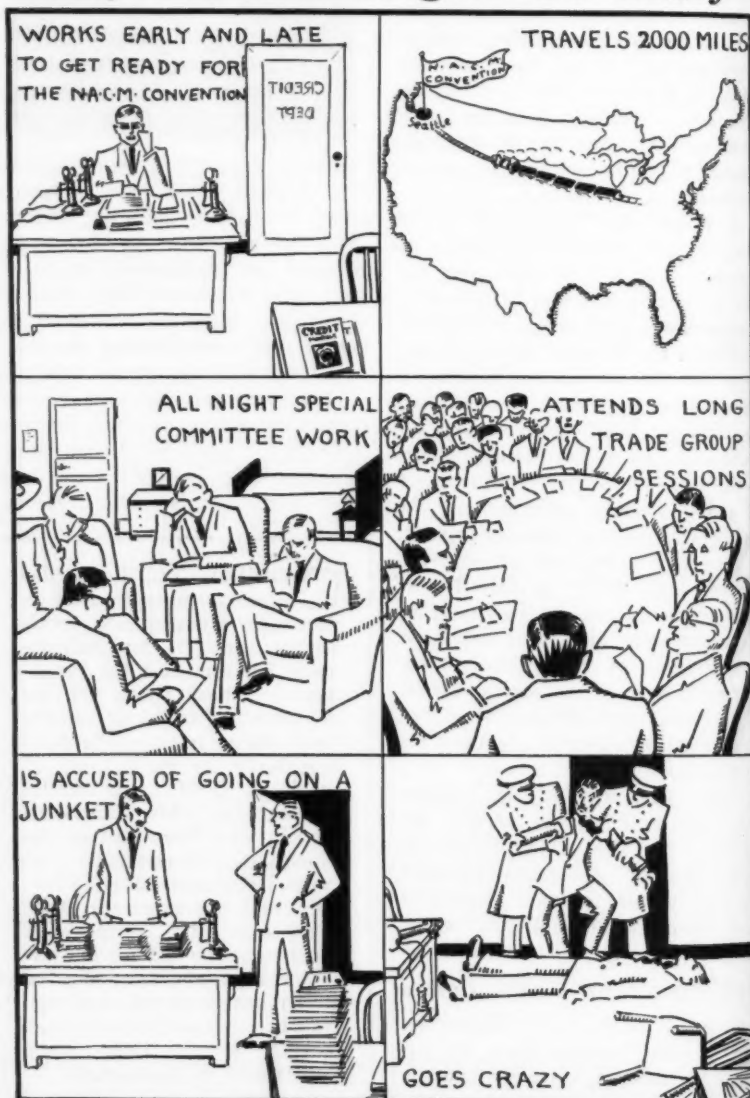
Creditors who hold back on or absolutely decline to participate in a compromise deal serve a two-fold purpose. First they register a definite protest against the system and then by their action force up the price for others who are more inclined to trade on the compromise basis. I have always held that the creditors, who scramble for a front place at the compromise, should be required to take the compromiser's first offer regardless.

The compromiser overbuys and undersells against the day of his deed. What does he care about overhead, mark-up or proper management of his business in order to carry on properly against legitimate competition when so many distrib-

utors are willing and apparently anxious to forgive and forget and allow him to pass his financial troubles back to them under the guise of compromise for another start on a better footing than the fellow who really tries.

The compromise system is not calculated to encourage thrift or business efficiency. Its further encouragement and development can only tend to weaken the moral fibre and lower the proverbial high standard of the American trader. To let it be known to the trade that you approve the principle of compromise settlements is but a cordial invitation for such offers. Keep it up, and you will soon be selling all your merchandise at losing prices.

Why Credit Managers Go Crazy



Answers to Credit Questions

National Association of Credit Men

One Park Avenue, New York

Conditional Sales

Q. What is the effect of the following provision contained in a conditional sales contract: "It is mutually understood and agreed that this contract is executed in the State of Massachusetts and subject to the laws of Massachusetts relating to Conditional Sales".

Could this be enforced in States outside of Massachusetts where the laws relating to conditional sales are entirely different, the buyer signing the contract in his State and the seller executing it in Massachusetts or elsewhere?

A. In our opinion the clause quoted would be of no effect whatsoever as respects the necessity for filing or recording the contract in the State in which the purchaser is located. The purpose of the filing and recording statutes is to give notice to third persons of the existence of secret titles and no act of the parties can change the provisions of the law with reference to what is necessary to retain title as against third persons. Aside from the filing and recording laws the clause quoted would probably have the effect of making the interpretation of the terms of the contract subject to the laws of the State of Massachusetts. So far as the same are not repugnant to the public policy of the forum in which the contract is to be litigated, the provisions would probably be effective in this respect.

Acknowledgments Before Notary of Sales Contracts

Q. Is a sales agreement covering purchase of a piece of equipment on time payments binding in Iowa, if the signature is witnessed but not acknowledged before a notary? Not being acknowledged before a notary, it could not be recorded or filed in Iowa?

A. As between the parties, the universal rule is that the mere fact that a signature would not void a contract, but the fact that a contract is not filed or recorded, if filing and recording are required by law, would affect the validity of the contract as against third persons.

Dunning by Telephone

Q. Aside from good business judgment, are there any legal objections or limitations to collecting or dunning over the telephone?

A. The same rules apply to telephone conversations as apply to personal conversations, namely, that if the conversation is not so offensive as to lead to a breach of the peace and is not said in the presence of third persons, with malicious intent, the law places no limits upon what may be said. If the conversation carried on were over

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the *Credit Monthly*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved. —E. P. P.

a party line, with other persons listening to the conversation, to the knowledge of the creditor, and if the remarks made are such as to reflect upon the credit or morals or honesty of the debtor and are intended to be heard by the third person listening in, an action for slander might result. The possibility of trouble arising from such a source is very remote.

Chattel Mortgage Law of Wyoming

Q. Can you give us information as to the life of a Wyoming chattel mortgage and the manner in which it should be renewed, if a renewal is necessary? According to our understanding, the mortgage is good until six months after the maturity of the final note covered by the mortgage and that prior to the expiration of the six months' period a renewal affidavit of some sort must be filed.

A. The Chattel Mortgage Law of Wyoming provides that the mortgage shall remain in effect for the term for which it was given. There is a statute of limitations on contracts of ten years, which would bar action on the note or bond for which the chattel mortgage was given as security, unless action was commenced within that time. We find no reference to any requirement that a renewal affidavit be filed.

Guarantees

Q. Would a guarantee form which guarantees the payment of present or future indebtedness on account of goods, wares and merchandise sold by it cover an indebtedness arising from the sale of goods, wares and merchandise, but for which a promissory note has been taken?

A. In our opinion the guarantee would cover any indebtedness arising from the sale of goods, wares and merchandise whether evidenced by open account, promissory note or otherwise. The origin of the indebtedness and not the evidence of the indebtedness would seem to be the determining factor.

Consignments

Q. Can you furnish information relative to consignments laws in the State of Virginia whereby it is understood that goods on consignment are considered as property of the consignee in case of liquidation, unless he has notified the public that the goods are on consignment, giving the consignor's name

A. In Virginia there is a statute (Sections 5223-4 Code of Virginia) providing that when any person, partnership or corporation shall appoint an agent to conduct a mercantile business, such agent shall be conclusively presumed to have the right to buy and sell upon credit, and to do any and all acts in the conduct of such business that his principal can do unless his appointment shall be in writing duly acknowledged, setting forth fully the restrictions upon his powers and recorded in the deed book in the Clerk's Office of the County or Corporation in which such business is conducted, and unless a copy of such power be conspicuously posted in the place of business conducted by such agent. This statute further provides that if any person transacts business as a trader with the addition of the words "factor", "agent", "and company", or "& Co." and fails to disclose the name of his principal or partner by a sign in letters easy to read, placed conspicuously at the house wherein such business is transacted, and also by a notice to be published for two weeks in the newspaper, if any, printed in the city, town or county wherein the same is transacted; or if any person transacted such business in his own name without any such addition; all the property, stock, and choses in action acquired or used in such business shall, as to the creditors of any such person, be liable for the debts of such person. The statute does not apply to a person transacting such business as a licensed auctioneer or commission merchant.

This statute has been sustained in the case of *Selden vs. Chesapeake Shoe Company* 10 A. B. R. 466, and *Sites vs. Virginia Book Co.* 41 A. B. R. 450. The statute has also been upheld in the case of *Capitol Motor Corporation vs. Lasker, Inc.*, 138 Virginia 630, but that case held that consigned goods may be taken out of the possession of the consignee before there has been an assignment for the benefit of creditors, bankruptcy, etc., and the trustee under such assignment or in bankruptcy does not get possession of these goods, but any goods remaining in the hands of the consignee at the time of such assignment or the filing of a petition in bankruptcy pass to the trustee or assignee unless the statute has been fully complied with.

New Chinese Credit Problems

"Compradore" System Replaced by Direct Connections

By Kingston Taft Tan, M.C.S.

Technical Editor, *World's Chinese Students' Federation Weekly*, Shanghai



K. T. TAN

BEFORE the Twentieth Century foreign trade, both import and export, with China was in the main concerned with the staples of commerce. The growth of modern Chinese industry has developed new channels for trade. Internal transportation has been improved to a certain extent, and this brings China into closer communication, both intellectually and physically, with the occidental world.

Moreover, foreign traders have penetrated into the interior of the country with the opening of many new treaty ports, of which there are now more than fifty as against the original five—Shanghai, Ningpo, Foochow, Amoy and Canton—opened in 1844. Most foreign traders have familiarized themselves, to some degree at least, with Chinese customs and the language of the Chinese people. Furthermore, during the past few decades many young Chinese have gone abroad, and have become familiar with Western ideas and methods. This has substantially affected business enterprise in China.

Especially in the past ten years, many important progressive changes have occurred, such as eliminating the old "compradore" system, by which a Chinese agent of the foreigner represents him in China. This system, which I described in the *CREDIT MONTHLY* of March, 1924, has been almost entirely replaced by direct contacts between foreign traders and the Chinese dealers. This change creates a new and more complicated credit problem.

Credit in China as elsewhere involves the knowledge of economic

conditions, local customs, the nature of commodities, and the personalities of the buyers. China has developed no mercantile or rating agencies. The word of the Chinese merchant is usually considered as good as gold.

Americans engaged in Chinese trade have found the services of the Foreign Credit Interchange Bureau of the National Association of Credit Men most helpful in securing reliable, up-to-date credit information. This bureau maintains files of reports based on the actual experience of American exporters to China, and is proving of great value to the Bureau's members.

It is almost impossible to secure credit information directly from Chinese concerns. The use of credit forms and the methods of credit analysis are almost unknown. Most credits are therefore based on some forms of collateral.

Export Credit Procedure

Purchases in China by United States importers are made by means of letters of credit established by the importer in the United States. When the Chinese exporter receives a letter of credit, he telephones his local bank stating that he wishes to open against the letter of credit of the American importer, a "packing credit" of, say \$50,000, to cover the cost and shipping expenses in connection with his outgoing commodities while in the process of being assembled and prepared for shipment. The bank then either allows the exporter draft of the amount desired or grants him a demand loan.

A few days before the ship's departure carrying the goods and the documents relating to the shipment, the bank will settle the exchange and draft by balancing the shipping documents against the letter of credit. The exporter retains his profit and the bank surrenders the shipping documents to the importer, whose letter of credit has been drawn against to the amount of the value of the goods involved.

Technique of Import Credit

In the case of the importer of American goods in China, the general principle of financing is similar, but the reverse of the above. There are some slight differences, however. Suppose a Chinese importer porter for automobiles to the amount has contracted with the American export of \$100,000. The Chinese importer goes to his local bank and in advance contracts for 100,000 gold dollars. The total amount in American dollars is deposited in the bank to meet the payment upon the arrival of the

(Continued on page 36)

孔夫子學理
不信乎朋友不獲乎上美
人言多信不知其可也

A man whose credit is not good with his friends, cannot prosper in business.

The man who does not stand on a solid footing of credit, is lost!

—Confucius.

The Secretary of Commerce of the Republic of China is a descendant in 74th generation of Kong-Fu-Tze (Confucius).

Accounts Receivable

on a

Burroughs

New and improved Burroughs automatic bookkeeping machines, including combination typewriter-bookkeeping machines, permit the handling of any kind of accounts receivable records. Many of these records may be written in one operation; for example —

— the accounts receivable ledger, customer's statement and proof journal (all originals) can be produced in one operation

— customer's ledger and the distribution of cash, credit memos and other general ledger entries can be made in one operation

— installment ledger, distribution of revenue by years, sales by departments and cash receipts can be handled in one operation

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Labor—materials—purchases—sales—expense—cash

Costs ☐

As shown on stores records, payroll and distribution summaries, cost sheets, etc.

Accounts Payable ☐

Ledgers with or without remittance advice—journal-voucher system instead of ledger—including registration of invoices

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Name _____ Firm _____ Address _____

When writing to advertisers, please mention the Credit Monthly

Will Jobber Survive?

(Continued from page 3)

crease. It is clear that the industry has about hit its pace. Still, they are not making an adequate return on their investment. What's the matter?

Volume in Staples

Now the greatest amount of volume of the average jobbing house, certainly in the electrical or hardware business, is in staples. On these the jobber as a rule is getting no larger percentage of profit today than he was getting ten years

ago, and his sales have not greatly increased. Still his expense of doing business, with the change in the times, has gone up appreciably. His rents, his salaries are higher, every expense of his business is greater—but the gross profit which has to pay that expense has not increased.

The situation has to be doctored in one of two ways—either an increase of gross profit or a greater frequency of turnover. It is possible in a jobbing business to get a far greater turnover on invested capital than in a manufacturing busi-

ness, because the jobber has not the manufacturer's investment in plant, machinery, etc.

The figures on the 28 jobbers indicate current assets of \$44,000,000 against a net worth of \$46,000,000. On a strong manufacturer's statement his fixed assets will nearly equal, if not entirely equal, his current assets. The jobber must make some improvement in turnover, but the improvement possible in turnover will not answer the whole difficulty. He must also improve his percentage of gross profit.

The jobber has not as much of an opportunity to increase his margin of gross profit on staples as he has on specialties. The problem of the jobber as I see it is to hold his volume on staples and bend his effort to increasing his sales on specialties, which carry a wider margin of gross profit.

The above figures on these 28 hardware jobbers for the year 1926 show an average turnover on receivables of about $3\frac{1}{2}$ times a year, and an average turnover on merchandise of about $3\frac{1}{2}$ times a year; in other words, their investment in receivables is equivalent to about $3\frac{1}{2}$ months' sales, and in merchandise is about the same. I believe these averages could be substantially reduced.

The question is often asked, Where is the jobber going to look for his business with the growth in chain store activity, the increase in large department store syndicates which buy direct from the manufacturers, and the increasing activity of mail order houses, one of which is opening a chain of large retail stores. The jobber is worried.

The chain store, I believe, is here to stay. The jobber cannot successfully serve the chain store, nor the mail order houses, and the business he can get from the large department store syndicates is rather limited.

Able Retailer Will Live

The jobber's business must come from the independent retailer. What the jobber is worrying about is to what extent the chain store and mail order house is going to run the independent retailer out of business. Now it will undoubtedly happen that the chain store will hasten the death of the weak, inefficient independent retailer, but the strong, able retailer will continue to succeed and make

(Continued on page 25)

(Ad No. 17 in a series on Business Mortality)

Why Business Men Failed in 1927

Lack of Capital	34.9%
Incompetency	34.5%
Specific Conditions	14.8%
Inexperience	5.2%
Fraud	3.6%
Competition	2.4%
Miscellaneous	4.6%

Included in "Miscellaneous" is a percentage of scarcely more than 1 per cent which represents failures due to "Unwise Credits"; meaning that you Credit Men are certainly doing your part in keeping down losses.

But the main sources of loss are really beyond your control. Why not safeguard your house against *all kinds* of bad debt losses, with

American Credit Insurance

No matter *what* may happen to any of your firm's customers, or *when*, you are absolutely protected if you carry American Credit Insurance. It cannot help but pay you to investigate this great protective service.

The AMERICAN
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C. P. R.

The Harbor of Victoria, B. C.

Seattle Entertainment

Lighter Side of N. A. C. M. June Convention

By J. K. Jameson

Lowman & Hanford Co., Seattle,
Chairman, Convention Publicity Committee

THE thrill of a thirty-pound King Salmon, taken with light tackle, is something to make "Charged-off accounts" be a matter of the smallest moment in the world. It is the wish and hope of the members of the Seattle Association of Credit Men that many of the delegates to the 33rd Annual convention of the N. A. C. M., June 11-15, can remain in the Pacific Northwest during its delightful Summer season and enjoy the pleasures of the Summer playground of America. The mountain streams will be found teaming with trout and the salt water fishing in Puget Sound is something that once enjoyed will always be remembered.

Snow-balling on Mt. Rainier in June or July and salt water bathing the same day on the white, sandy beaches of Puget Sound, is a combination to please the most fastidious lover of the out of doors.

The Entertainment Committee is now engaged in the arrangements of its program for the pleasure of the delegates, beginning with the President's Reception and Ball to be held Monday evening. Music for this occasion will be furnished by a fifteen piece dance orchestra of unusual excellence. This affair will be held in

the Eagles' Auditorium. On Tuesday evening, in the Spanish Ball Room of the Olympic Hotel, dancing will follow a debate at about nine o'clock, with a number of entertainment features interspersed.

Wednesday has been set aside for an all-day trip to Victoria. The Canadian Pacific Liner "Kathleen" has been chartered for this occasion, embarking at eight o'clock at Seattle. This fast vessel will arrive at Victoria at about twelve o'clock. Wednesday afternoon is a half holiday in British Columbia and to give the ladies the benefit of shopping for the famous Hudson Bay blankets, English chinaware or the many things that a bargain-loving woman will cherish, luncheon is set for one-thirty at the Armouries where greetings will be extended by the Premier of the province and the Mayor of the city of Victoria. While the speaking program will be very brief, the Entertainment Committee has arranged some novel entertainment which will be held as a secret for the delegates.

During the afternoon drives may be arranged through this quaint city and perhaps some of the men will wish to stop in at the Coach and Horse or other of the old English

Inns, for a glass of ale. The return trip to Seattle will be made by moonlight through the San Juan Islands, arrangements being made for dancing on the return voyage.

Thursday there will be an informal dance held in the Spanish Ballroom of the Olympic Hotel, with entertainment specialties.

On Friday night the men will shine—that being set aside as the occasion for the first annual convention stag party. This affair will be under the direction of the Glee Club of the Seattle Association, but it will not be all singing. The ladies will go on a theatre party and the men will be allowed to console each other without any refining influences.

During the week there will be lavish entertainment for the attending lady delegates.

Convention Trade Groups

A FEATURE of the meetings of the Convention Trade Groups which this year will take place on Tuesday afternoon, June 12, at the Annual N. A. C. M. Convention at Seattle, is the survey of business conditions and prospects based on the answers to questionnaires by



CHECK back over your credit losses in recent years. Then allow one of our agents to show you how much less it would have cost you if you had carried credit insurance. You will be under no obligation.

There is an agent in your city. Phone him today.

United States Fidelity and Guaranty Company

BALTIMORE, MARYLAND

*Over 2,000 Branches and Agencies
in United States and Canada*

members of the groups in attendance.

Elliot Balestier, Jr. and J. E. Vaughan, Jr., will be in charge of the organization of these group conferences. Questionnaire cards are being distributed through the Convention Trade Group chairmen. They will be gathered, consolidated and analyzed at the Convention by Dr. Frank A. Fall, N. A. C. M. Research Director. The groups and chairmen are:

Footwear—S. Einstein, Florsheim Shoe Co., Chicago; **Building Materials**—F. E. Wilson, Union Wholesale Lumber Co., Youngstown, O.; **Clothing, Caps and Allied Lines**—J. E. Black, Curlee Clothing Co., St. Louis, Mo.; **Confectionery; Drugs, Chemicals and Allied Lines**—Brace Bennett, The Fox-Vliet Drug Co., Wichita; **Dry Goods, Notions and Allied Lines**—J. W. Otten, Hanselman-Johnson Co., Cincinnati; **Electrical and Radio Supplies**—W. E. Rice, Graybar Electrical Co., Cleveland; **Furniture**—E. K. Scherer, Evansville Metal Bed Co., Evansville; **Groceries (Manufacturers)**—C. L. Walker, A. F. Staley Mfg. Co., Decatur; **Groceries (Wholesalers and Jobbers)**—Charles L. Davies, Ridenour-Baker Grocery Co., Kansas City; **Hardware, Auto Supplies and Allied Lines**—G. C. Klippel, Van Camp Hardware & Iron Co., Indianapolis; **Implement, Vehicles and Allied Lines**—C. J. Pohlmann, Brinly-Hardy Co., Louisville, Ky.; **Iron and Steel; Jewelry**—E. C. Brunst, Gruen Watch Co., Cincinnati; **Newspapers**—J. V. Minon, Courier Post, Camden, N. J.; **Paints and Varnish; Paper Supplies and Allied Lines**—C. G. Hesse, Lawrence Paper Co., Lawrence, Kansas; **Petroleum**—J. F. McLaughlin, Indian Refining Co., Lawrenceville, Ill.; **Plumbing and Heating**—C. W. Dittmar, Crane Co., Los Angeles; **Stationery, School and Office Equipment and Supplies**—H. S. Sanders, Eastern Tablet Corp., Albany; **Printing**—H. D. Winchester, J. B. Lyon Co., Albany.

Drug Group Plans

J. M. William, Stewart-Holmes Drug Co., Seattle, secretary of this group, reports a mighty pleasing number of favorable replies as to attendance; and chairman Brace Bennett, The Fox-Vliet Drug Company, Wichita, writes that the fact this meeting is in Seattle seems to lend attraction to it, rather than the reverse.

J. E. Stiltz, Secretary-Treasurer, Kiefer-Stewart Co., former chairman of the group, and now chairman of the Committee on Credits and Collections, National Wholesale Drug Association, will speak.

L. E. Deely, Adjustment Bureau manager from Detroit, is going to explain some of the weaknesses in the present system of handling credits in the retail drug line, and J. E. Vaughan, Jr., of the Central Division, N. A. C. M., will be on the program stressing the necessity of a closer co-operation between the groups, the trade associations and the N. A. C. M.

Official representation from the National Wholesale Drug Association is also assured because of the natural interest this Association has in the N. A. C. M. Drug Trade Group. The N. W. D. A. has gone further than that and has been active in stimulating interest in this meeting, with no small success.

Credit executives, in this group's classification, who have not already reported, are asked to do so at once to J. M. Williams, Stewart-Holmes Drug Co., Seattle.



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NATIONAL ASSOCIATION OF CREDIT MEN

When writing to advertisers, please mention the Credit Monthly

Will Jobber Survive?

(Continued from page 22)

money provided he has the vision to keep abreast of the changes in the times.

As wealth has increased in this country and our standards of living have improved, service has become the most important factor in merchandising. The strength of the independent retailer is in his ability to give an individual specialized service in a localized district—a service which the larger system of the chain store is unable to render, and for which the discriminating public is glad to pay. Specialty shops rendering this kind of service are thriving today. These shops need the service of the jobber because they must, with a minimum of investment, buy a wide variety of products in small quantities. The difficulty of the jobber is the lack of enough intelligent independent retailers of this type.

The jobber is in the position of a farmer having some very fertile ground, but not enough to enable him to operate his farm on a profitable basis. All that farmer needs is more fertile soil to enable him to carry on his operations on a large enough basis to make them profitable.

What would the farmer do if adjacent fertile land was not available for him to acquire? He would remove the stumps and stones, fertilize the soil thus made available, and make fertile land out of what was formerly of doubtful value.

Merchandising Instruction

Isn't this what the jobber has to do? If he waits for the average order of intelligence and efficiency of the independent retailer to improve by itself he can die on the vine while he is waiting. By a sound program of education in merchandising applied to his weaker retail outlets he is entrenching his position in two ways. The jobber to be successful depends upon the good will of two people—the retailer and the manufacturer. By any program that improves the efficiency of his retail outlets he cements the good will of the retailer to him and improves his status with the manufacturer, because he is giving the manufacturer better and sounder distribution.

Some of the most efficient jobbing organizations have begun to install merchandising departments, whose entire function is to bring the re-

tailer improved merchandising plans—special sales items, from time to time, accompanied by plans for presenting such special sales to the retailer's customers in a way that emphasizes the individual special service that that retailer has to offer.

Carried out properly this sort of a program brings to the independent retailer through the jobber many of the advantages of the chain store, still preserving for the retailer his individuality. It is *the individuality of the local store that is lacking in the chain store system.*

The jobber who is able to carry out such a program as this will find that after a time he has cemented his retail outlets to him so closely that he automatically gets that business which appears on the want list of the retailer. He therefore gets a very definite part instead of an uncertain part of that retailer's requirements. He is thus able to plan his purchases better, knowing better what his clientele will consume. And if he carries out such a program efficiently he will have no difficulty in getting the complete support and co-operation of the manufacturer.

I know of cases where such a program is now being carried out successfully.

The figures I have quoted might seem to indicate that all jobbing businesses were in a rather sick condition. This is not true. There are many jobbers making money today—satisfactory returns on their invested capital; but I believe the figures I quoted reflect the average condition in the jobbing industry.

I still believe that there is money to be made in the jobbing business in most recognized jobbing lines. The successful jobber of the future will, however, be the man who builds an increased business on the more distinctive types of merchandise carrying a wider gross profit, who improves his turnover of invested capital, and who carries on a merchandising department whose function is to improve the efficiency of the independent retailer.

The old idea that "well bought is half sold" is not entirely true today. Buying well is not more than a quarter of the merchandising problem. Selling well is probably three-quarters at least, because on proper selling, with all that that means, rests the retailer's income from which his obligations must be met.



Plan your trip via

Glacier NATIONAL PARK

GO the scenic "Great Northern Way" to the Seattle Convention and stop off en route at Glacier National Park, which, with Waterton Lakes National Park, just across the boundary in Canada, forms a vast international mountain playground. . . . Take advantage of the 4-Day Escorted Tour which shows you the scenic beauties of both Parks with maximum comfort and at minimum cost—only \$57.50.

Inquire today!

GREAT NORTHERN

ROUTE OF THE NEW ORIENTAL LIMITED



A. J. Dickinson, Pass. Traf. Mgr.
Great Northern Railway
St. Paul, Minn.

I expect to attend convention of the National Association of Credit Men at Seattle, June 6-10. Please advise special summer tourist fares from to Seattle via Glacier National Park, and send free booklets.

Name _____

Address _____

C. M. - 5



Now What

Jones confronted his directors at a downtown hotel to discuss the possibilities of continuing the business which had been wiped out by fire.

"Gentlemen, we would have been beyond hope if it hadn't been for the insistence of the National Liberty Agent that we carry

USE and OCCUPANCY INSURANCE

(Business Interruption)

"The funds available upon the payment of this policy will enable us to retain our skilled force, rent temporary quarters and keep orders up almost to the usual schedule."

Have you considered the wisdom of such action?

There is a National Liberty Agent in your city. He will be glad to give you complete particulars.



Over \$74,000,000
Losses Paid Since
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National Liberty
Insurance Company
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Home Office: 709 Sixth Ave.
New York

Adjustment Bureau Inspector Pilling

J. A. PILLING has been appointed Field Adjustment Bureau Inspector, whose entire time will be devoted to visiting the local Bureaus, inspecting the mechanics, and advising with the local management as to methods of improving the service. He is thoroughly trained and experienced in this line and has an excellent knowledge of accounting, the mechanics and the proper practice and procedure of the N. A. C. M. Adjustment Bureaus.

Sales Promotion Control

(Continued from page 10)

record appearing therein is attached to the order and returned with it to the Credit Manager. If the account is opened, these records are transferred to the credit file.

The Credit Office establishes a ledger record for the use of the Accounting Division. The practice of delegating the compilation and control of new account records to the Credit Division assures uniformity of departmental records.

When credit is refused to a buyer, this advice is passed on to the Recording Section and a "declined card" is prepared, giving applicant's name and address, the salesman, and the reason for refusal. This is filed in the declined account file, which is consulted on all new accounts as has been outlined.

A complete record is kept of all accounts declined and at the end of every month a statement is prepared listing all accounts declined with the specific reasons given. The percentage of accounts declined in comparison with new accounts opened is also tabulated on the report to show the business being turned down.

A record of any account declined is made for the general customers' card file, and the card carried as a permanent Advance Information record.

Sales Promotion Control

Sales Promotion Control, one of the functions of the Credit Division, is exercised in the following way: As accounts become dormant, they are stripped from the active ledgers and put in what is known as the "Transfer Ledger." The period of dormancy must exceed three months on out-of-town accounts and one month on local accounts before the

Book-keeping Department has authority to remove the ledger sheets from the active ledgers.

This "Transfer Ledger" is kept in the Credit Office. Periodically, the Credit Manager scrutinizes each of the accounts in this ledger and determines from the paying record of the customer, together with credit information on file, if the risk is desirable or not from a credit standpoint.

Undesirable or unsalable accounts are transferred to the "Inactive Unsalable Ledger," which is also kept in the Credit Office, and the corresponding addressing plates for advertising purposes are simultaneously destroyed.

Desirable or salable accounts are transferred to the "Inactive Salable Ledger," also maintained in the Credit Office, and advice is given the President's Office, the Sales Office, and the Sales Promotion Office that these accounts are inactive but should be followed up for the purpose of resale. The accounts are accordingly approached by these offices and either brought back to the active ledgers or discontinued for ascertained reasons which are disclosed as the accounts progress through the resale follow-up.

Record is kept of all territorial assignments, and it is possible to refer to the Territory Control and determine just which salesman sells a certain town, the ledger in which the account in question may be found, and the territory number. A card is maintained for each town sold by the company, and changes are accordingly made on the Territory Control cards as territorial boundaries are altered or extended.

The opening of new territories is always discussed at the meetings of the Sales Co-ordination Committee, of which the Credit Manager is a member, and credit conditions and possibilities are carefully investigated and discussed before the company introduces its products into a new territory.

The company offers an education program to the employees without cost. Classes are conducted at which division managers deliver lectures on the workings of their respective divisions. The employees thus receive first hand information on every phase of the meat packing industry and the operation of the business from all angles. The Credit Manager, in due turn, lectures to the classes on Credit and Credit Procedure.

Alias "J. Balin"

(Continued from page 8)

of a New York hotel; and the question of the moment was who had thrown it away in front of the store.

He soon started to find out. A wire to the National Association of Credit Men offices in New York started an investigation there. It was found that a man answering the description of Balin had stayed at the hotel three nights before the fire occurred. The signed order from Bates & Co. was obtained from Adams' concern, and the handwriting of the signatures on the order and on the hotel register were found to be the same, although the names were different.

Word came back to Belvedere that Balin had been a guest at the Blank Hotel in New York and that his picture adorned the walls of the Rogues' Gallery at the National offices.

Convinced that arson had been committed, the investigator sought the motive, which he learned could not be the collection of insurance. When a few hours after the fire the partners filed a petition in bankruptcy, listing virtually no assets and about \$25,000 liabilities, he felt that he was started on the right track.

In the basement of the store, on the edge of the debris, he discovered a few pieces of partly burned straw braid, used in the manufacture of hats, highly inflammable stuff. It seemed to him that the braid had no place in the stock of a small town retail store; and another wire was sent to headquarters, telling of the straw braid finding and asking for further investigation.

In New York the history of Balin was reviewed, and from his past associates it was learned that he had often done business with several trucking firms in the city.

Investigators went to the garages of these haulage companies, and in one of them, on the floor of a big truck, they discovered two or three wisps of the straw. They found the driver and got from him the information that on the night before the fire he had carted the merchandise from the Belvedere store to a warehouse maintained by Balin in Long Island.

The driver said further that on the trip to Belvedere he had taken a big load of the straw braid, in packing cases; and on several previous occa-

sions had moved goods from the store to the warehouse.

A trip to the storage place revealed the loot of Roberts' and Balin's venture, twenty-five thousand dollars' worth of merchandise, which was subsequently returned to creditors.

When the investigator in Belvedere was notified of the finding of the merchandise, he went to the chief of police, identified himself, and secured the arrests of Roberts and

Balin, charged with concealing assets in bankruptcy.

With the chief, he went back to the store and showed him the smoked lock; and from the keyhole he picked out a bit of charred fuse. Balin and Roberts were subsequently indicted and were sent to the Atlanta penitentiary for concealing assets. After their two year term expires, they will answer to the State for the arson charge.

Financial Statement Sim 101

A Real Result-Getter

for concerns doing business with small retail merchants from whom it is difficult to obtain financial statements.

This form carries automatically proof of its transmission through the mails, providing important evidence in preventing fraud.

As many as 100,000 have been sold in two weeks.

CF. FINANCIAL STATEMENT

TO THE CONCERN NAMED ON ADDRESS SIDE OF THIS BLANK

For the purpose of obtaining merchandise from you on credit, we make the following statement in writing, intending that you should rely thereon regarding our financial condition as of (Date) _____

Assets	Liabilities
Cash on Hand and in Bank	OTHER FINANCIAL STATEMENTS
Accounts Receivable	On Open Account, Notes or Acceptances
Notes and Acceptances	On Open Account, Notes or Acceptances
Merchandise () At Market Value	ON OPEN ACCOUNT, NOTES OR ACCEPTANCES
() At Cost	To Friends, Relatives and Others
Total Quick Assets	Less or Chattel Mortgages on Merchandise and Equipment
Machinery, Furniture and Equipment (Gross Value)	Mortgages on Real Estate
Real Estate	Other Liabilities
Other Assets	
Total Assets	Total Liabilities

For Credit from the Following Source

Name	Address	City

Annual Sales for Cash - \$ _____

Annual Sales on Credit - \$ _____

Total Annual Sales - \$ _____

Total Annual Expenses - \$ _____

Net Profit - \$ _____

What kind of account do you keep? _____ How long does it? _____

Are your books of account audited? _____ If so, by whom? _____

When did you take last inventory? _____ Did you take inventory at cost or market price? _____

Does your inventory include merchandise on consignment or conditional sale? _____ If so, what amount? \$ _____

Do you hold any merchandise on consignment or conditional sale? _____ If so, what amount? \$ _____

Is any machinery or equipment held on conditional sale or lease? _____ Amount to be paid thereon \$ _____

What amount of your accounts, notes and acceptances are grouped or grouped? \$ _____

If any creditors are secured by Loan or Chattel Mortgage, state amounts and how secured.

For what amounts are you liable as surety, guarantor or guarantor? \$ _____

Name and address of your bank _____

The foregoing statement has been carefully read (check the printed and written names), and it is all correct, complete, accurate and truthful. It discloses to you the true state of my (our) financial condition as of the _____ day of _____, 19____. I am (we are) _____ years (old) and have been my (our) present address at my (our) _____ address, and of any such change, please advise me (us) in writing. I (we) shall return to you, you are to regard this as a consumer statement.

Signature _____ Date _____

Print Name _____

Print Address _____

NO ENVELOPE IS REQUIRED

Prices With Imprint

250	\$8.50
500	12.50
1000	19.00
2000	32.50

Without Imprint

250	\$4.00
500	6.75
1000	10.00
2000	18.00

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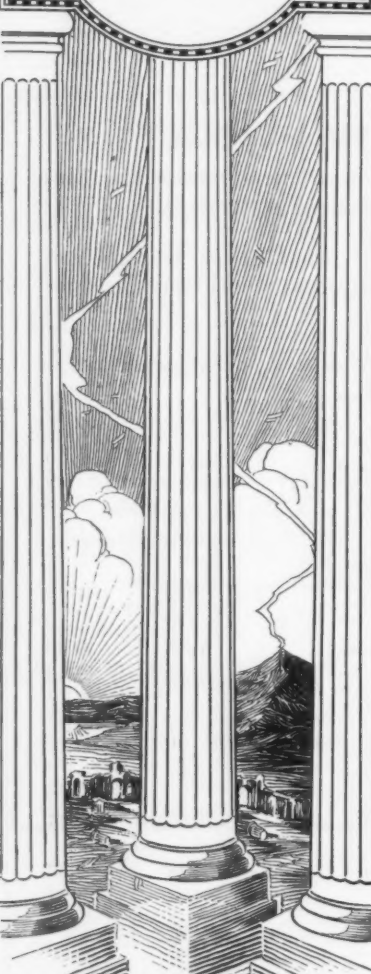
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A Close-Up of Cuba

By Frank W. C. Timson

Service Mgr., Foreign Credit Interchange Bureau, N. A. C. M.

FIRST-HAND impressions received from a visit to Cuba during March, confirm the opinion that the year 1927 was not satisfactory for Cuban business, and that the effects of the depression were felt heavily in all lines of trade. The impressions were based on conversations with many leading merchants and with others in Cuba thoroughly familiar with the general situation, which is almost entirely dependent upon the sugar situation. (Efforts are constantly being made towards diversification of crops.)

The principal cause of the difficulties through which Cuban business has passed in the last few years is that the income from the sugar crop has been insufficient to support the economic structure built up during the high sugar prices of the boom period a few years ago.

The expectation of a greatly restricted national income and low buying power as a result of the Government's sugar program has been plainly evident in business in recent months. Despite the plan of Governmental control of the sugar industry with a view to reducing the over-supply in world markets, the price in 1927 responded only partially. However, restriction is to be continued this year and the crop limited to 4,000,000 tons as compared with 4,508,000 tons actually produced in 1927. Consequently, Cuba faces a year of further reduced income unless prices rise sufficiently to offset the lower tonnage—and at present the current price is below that of a year ago.

Little prospect of improvement in the general economic situation is seen for the immediate future. Many sugar planters and mercantile houses are reported to be doing business at a loss and a number of factories producing shoes and clothing have ceased operations. Many of the stronger establishments have almost ceased buying, and have confined their sales to a cash basis or to a small group of picked customers.

Industrial developments have also been handicapped during the past year by the general depression and reduced purchasing power. The

heaviest purchasing seasons in Cuba are during the last three months of the year, because of the accumulation of stocks in preparation for the sugar grinding season which starts in December. The holiday merchandise also has its share in making this increase. The holiday season just passed has been the slowest Cuba has experienced since the World War.

New National Highway

There is considerable residential and business building in and around Havana. The most important construction program in Cuba is the central highway system. This is being paid for from special taxes levied since the work began. When completed it will provide the longest paved road in Cuba—nearly 700 miles—and will cost \$75,000,000. This highway should be a means of great future development throughout the island.

Too Many Retailers!

The sale of patent medicines and commodities handled by drug stores, both wholesale and retail, have been hard hit. Business is said to be 50 per cent. under that of last year. Cubans in prosperous times have always been large buyers of patent medicines and drug store merchandise. Under present conditions, they buy only what is absolutely required. A noticeable factor in this situation is the great number of drug stores in Havana. The Government is taking steps to restrict their number until they have reached a proportion of approximately one drug store for every 3000 inhabitants.

The Government in order to balance its budget and to provide additional revenue without further increasing taxes is reported to be making a strong drive to collect back taxes from large corporations. If this program is carried through to the extent proposed, something like \$4,000,000 will be collected that has never been paid because of lax administration.

The success of Cuba and the Cuban people as hosts for the Pan-American Conference gave evidence of the wonderful hospitality which has always been one of their outstanding

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characteristics. Havana is a city of beauty, and the cleanliness of its buildings and public thoroughfares cannot but make an impression.

Established on N.A.C.M. Lines

For members of the National Association of Credit Men, la Asociación Nacional de Crédito de Cuba (National Association of Credit Men of Cuba) is of particular interest. Although this organization is not affiliated with the Association in the United States, it was nevertheless founded on exactly the same lines. In fact its organization was the result of the activities of the Foreign Credit Executive Committee of the N. A. C. M. The Cuban organization occupies a position in Cuban business similar to that occupied by the N. A. C. M. in the United States some years ago. As its activities increase, its influence will become more widely recognized. It has taken an important place in the business structure of the island and is being strongly supported by the Cuban firms as well as by the representatives of influential American business. At the present time the interchange which this organization has established is one of the leading and most authentic sources of credit information in Cuba.

In talking with business men in Havana, it is gratifying to find that the National Association of Credit Men is well known and recognized as a leader of credit activities in the United States and that the efforts which have been put forth to help the Cuban Association are appreciated.

New and Good Credit Methods

(Continued from page 13)

their employees the belief in new methods. In turn they welcome the ideas and suggestions of those under them and give careful consideration to the merit of each proposal.

Unfortunately, there are managers who have a strong dislike for change and become definitely antagonistic, when considering anything that would require the abandonment of existing habits. To them there is nothing to be learned, either from their workers or others, and they are "too busy" to give much thought to better procedures.

The machine has, however, slowly advanced in the face of these obstacles. Gradually, the need of speed and economy have exerted their insistent pressure in breaking down the old ways. Improved methods cannot be stopped: they can only be delayed. Under the circumstances, how may the office force be prepared to accept them in such a manner as to make them immediately successful? The answer is too important to be neglected; and the next article in this series will be devoted to a further development of the considerations of employee training for this purpose.

Cut Out the Gamble

"THERE is too much gambling in credits for the purpose of securing volume," writes Thos. J. Carley, The Merkel Bros. Co., Cincinnati. "If credit managers will compare bad debt losses to net profits on sales, the importance of selling less by cutting out the gamble will show up impressively.

"This is a good time to apply the eliminating process. Compare the past due balances to the accounts receivable on the first of the month. The percentage should be small compared to the total accounts."

Marks of Understanding

Progress in business, as in any other activity, is the natural expression of Understanding.

Better business is the result of knowing human and material conditions—it's the mark of facts and figures. Larger profit is the mark of foresight and control. Loss and waste mark avoidable incidents—or accidents. While the sincere desire of American business to serve efficiently and well is the most enlightening mark of all—the mark of human understanding.

"Understanding" Business is the mark of Modern Accountancy. Exact, well defined and clearly defining, its application is the check mark of modern progress.

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The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

Readable Economics

THIS ECONOMIC WORLD. Thomas Nixon Carver and Hugh W. Lester. A. W. Shaw Co., Chicago. 1928. 432 pp. \$4.

There is a pronounced tendency just now to dramatize economics. The Pollak twins have been at it for some time, and now arrive Dr. Carver and Mr. Lester with a book that may easily start a Hollywood war over the motion picture rights.

The full title of the scenario is "This Economic World and How It May Be Improved." The authors are respectively the David A. Wells professor of political economy in Harvard University, and a well-known counselor-at-law. The book begins with a diagnosis of modern economic ills and ends with a program "for the removal of the causes which everyone desires to see cured."

The villain of the piece is Want. The main theme is Escape, always a thrilling subject. The seven acts (or reels) in which the escape is outlined are sub-titled Scattering (Migration); Work (Cultivation); Protection against Predation; Invention; Responsible Parenthood; and Balancing the Economic Functions. The direction is intelligent and the cutting has been done with discrimination. Only the most hardened movie addict will be able to leave before the final fade-out.

Seriously, this Department wants to go on record as unqualifiedly in favor of the new method of presenting economic principles. Up to 1920 a great many books were written on subjects in the general field of economics and sociology. And very few people read them except students who were required to, and instructors who were under the necessity of keeping a jump or two ahead of the students. Under the new method, thousands of people will read, learn and inwardly digest. The results cannot fail to be beneficial to all, including the publishers, who will find (if they have not already done so) that books on economics can compete on even terms with best sellers in the fiction and biography fields.

Particularly worth reading is the warning at the end of this book. There are,

Dr. Carver and Mr. Lester tell us, no longer any poor as that word was once understood. Prosperity has its dangers, and many will succumb to them in spite of all that can be done. In the coming days some will "run amuck," celebrating their escape from the backwoods, the slums or the Ghetto by throwing off the moral shackles that formerly held them, and seeking new sensations in various forms of physical and spiritual self-indulgence. But the hope is that a remnant can be saved from the general demoralization to serve as the seed of a new civilization. These, if they exist in sufficient numbers, will be the preservers of what is good in the old civilization, and the builders of the new.

For the Treasurer

FINANCE. Charles L. Jamison. Ronald Press Co., N. Y. 1927. 377 pp. \$4.50.

This is the third volume in the Ronald Business Administration Series, which is being produced under the general editorship of J. O. McKinsey, C.P.A., professor of accounting in the University of Chicago. The other volumes issued thus far are "Personnel" by George R. Hulverson of the Kaufman Department Stores, Pittsburgh, and "Purchasing" by W. N. Mitchell, C.P.A., instructor in production control at the University of Chicago.

Mr. Jamison, formerly secretary-treasurer of the A. M. Byers Company and now associate professor of business administration in the University of Wisconsin, surveys in this book the function of finance from the point of view of a corporation treasurer in a going concern. In his opinion, the main function of business finance is the circulation of working capital, involving the successive conversion of current assets into cash and the subsequent disbursement of the cash. The handling of working capital is therefore given extensive treatment.

As to the raising of capital from the sale of stocks and bonds, this enters only intermittently, the author suggests, into

the experience of the average treasurer. When knowledge of that sort is needed, specialists in corporation law and finance are usually consulted. For that reason relatively little space is given to the discussion of corporate securities and the marketing of them, or to the subjects of business promotion, expansion and consolidation, failure and reorganization.

There are twenty chapters, and two of them, at least, are of special interest to credit managers. These are Chapter V on "Credit Investigations" and Chapter VI on "Collections." In Chapter V Mr. Jamison lists, as follows, the various kinds of information that should go to make up the credit file on a given concern:

Varieties of Information

1. Special reports from mercantile agencies
2. Financial statements obtained directly from customers
3. Opinions of other creditors, growing out of their own experience
4. Credit interchange reports
5. Opinions of banks
6. Opinions of lawyers
7. Reports of traveling salesmen
8. Opinions of the credit manager himself, gained from personal interviews
9. Newspaper clippings

In Chapter VI the author discusses turnover of working capital, slow-pay customers, monthly and other statement systems, follow-ups of past due accounts, collection devices, legal remedies, conditional sales and chattel mortgages, protected and guaranteed accounts, composition settlements, adjustment bureaus and the various steps involved in administering the estate of a bankrupt. Incidentally, these chapters contain a number of references to the work of the National Association of Credit Men, and several of the credit forms sponsored and circulated by the Association are reproduced in illustration of the text material.

What Price — ?

THE BEHAVIOR OF PRICES. Frederick C. Mills. National Bureau of Economic Research, Inc. N. Y. 1927. 598 pp. \$7.

This is the eleventh volume of the publications of the National Bureau of Economic Research, and presents the results of an investigation conducted by Dr. Frederick C. Mills of the Bureau's research staff. Dr. Edwin F. Gay and Dr. Wesley C. Mitchell, directors of research for the Bureau, provide the Foreword, in which they announce that this volume will be followed by at least one more, in which certain important component elements of the price system and their relationships will be discussed.

Although this is a book of approximately 600 pages, it has but four chapters, thus establishing a non-stop record which will probably never be broken. The division of material is, however, logical, and there are statistical tables and charts which are invaluable to buyers or sellers of literally hundreds of commodities. Much of the statistical material is set forth in the Appendix, which covers about 150 pages.

Chapter I has to do with the measurable characteristics of commodity prices; Chapter II with regional differences; Chapter III with price relations; and Chapter IV with measures of price behavior in combination. No attempt is made, in presenting the results of this study to support a specific thesis. The investigation has been looked upon as part of a general attack upon the problem of charting the price system, defining its elements, tracing the connections between these elements, determining the nature of the changes which occur in the price system with the passage of time and with changes in general economic conditions, and of describing more exactly the form in which the results appear.

Two significant facts, however, are stressed. One is the existence of wide diversities in the behavior of the prices of individual commodities. The other is the existence among the diversity of price movements, of just those uniformities for which the scientist searches in attempting to reduce masses of facts to understandable terms.

The first fact applies to every type of behavior dealt with in the book. To the economist whose interest lies in changes in the purchasing power of the money unit such diversities present themselves as troublesome complications. For in the multiplicity of divergent fluctuations he seeks to measure a central tendency. But as so often has been the case in the history of science, the phenomena which appear merely as irrelevant and irritating complexities to one generation of research workers become, to another generation, the means of solving old problems and of discovering new laws. There lie here in this significant book, ready to the econo-

(Continued on page 35)

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A comparison of a credit crook's picture with those already in the Rogues' Gallery at One Park Avenue, New York, being made by C. J. Scully, Supervisor of Investigations, Credit Protection Department, Eastern Division, N. A. C. M.

A New Rogues' Gallery

By M. J. Davis

Assistant Director, Credit Protection Dept., Eastern Div., N. A. C. M.

IT would be impossible to build up over night an organization capable of handling the work now being done by the Credit Protection Department of the National Association of Credit Men. Although the Association had rendered all the service it was able to render to the business community in gathering information on commercial crooks, it was not until 1925 that a satisfactory organization for this purpose could be set up. In that year, a fund of more than a million dollars was subscribed and the Association built a protective network, covering the entire country, which now guards the business community against the depredations of the commercial crook and increases the risk that the dishonest merchant runs in taking advantage of his creditors.

Through the activities of its field operatives in all important commercial centers, controlled from the Divisional Credit Protection Department's headquarters of the Association in New York, Chicago and San Francisco, a vast amount of information has been gathered which gives cumulative power to the strong arm

of the Credit Protection Department. This massing of information, filed and indexed, on the unscrupulous merchant is one of the most important achievements of the National Association. These files are of greatest value when the Department is on the trail of a commercial crook who is an old offender or who, it is found, is associating with old hands in their nefarious line.

Along with the accumulation of these records has gone the collection of hundreds of portrait photographs, many of which are police records. Others are snapshots and newspaper pictures. The Credit Protection Department, Eastern Division, has on hand so many of such human documents that it has found it necessary to set up a modern Rogues Gallery cabinet similar to those used by the Police Departments of various cities. The cabinet holds the portraits in such a way as to make them quickly available.

An arrest was made, for example, by the Federal authorities of a merchant in Los Angeles who had signed and sent through the mails to a creditor a false statement of his financial standing, thus violating the Federal statutes relating to the use of the U. S. mails in a scheme to defraud. A detailed description of the individual is secured and sent by air mail

or telegraph to the Credit Protection Department of the N. A. C. M. A comparison is then made with the information that is recorded on the reverse of each photograph in the Rogues Gallery on file.

The Rogues Gallery is open to inspection by all members in good standing of the National Association of Credit Men. It can thus be readily determined whether an old offender has returned to his old practice of preying upon the wholesaler and manufacturer.

New photographs are being constantly added to the collection and great care is exercised in making the photographic record accurate and complete.

Where speed is desirable, it is now possible to send such portraits with finger prints, by telephone through the eight telephoto stations already established by the telephone company at Boston, New York, Cleveland, Chicago, St. Louis, Atlanta, Los Angeles, San Francisco.

The utility of the Rogues Gallery of "business burglars" has already been demonstrated on occasions recently when the defrauded creditors have called at the Eastern Division office of the Credit Protection Department and have picked out without delay the photographs of persons who had defrauded them.

Vigilantia Bulletin and Washington Notes

No. 46



Valuable information on Legislation, on Judicial Decisions, on various Governmental Departments, etc., gathered especially for the members of the Local Associations of Credit Men and for the direct members of the National Association of Credit Men. The information comes from various authentic sources through the Association's Special Representative in Washington and others.

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DECISIONS

Bankruptcy and Insolvency

CONTEMPT

An order was entered punishing bankrupt for contempt of court in having wilfully disobeyed an order directing him to deliver over to his trustee merchandise and money and committing him to imprisonment for failure so to do.

Held that a motion to punish for contempt for failure to obey a turnover order is a civil proceeding. A disobedience of the order to turn over presents a prima facie case of contumacy for punishment. The burden rests upon the moving party to establish, not beyond a reasonable doubt, but by a fair preponderance of proof, such contumacy. Having been directed to turn over property, it is presumed that the offender continues in his wilful and deliberate conduct when he fails to obey the order. Order affirmed. In re *Prela*. U. S. C. C. A. 2nd (N. Y.). Decided January 9, 1928.

* * *

PRIORITIES

Appellant filed its claim against the bankrupt estate for \$36,500 plus interest and sought its allowance, and also prior payment, out of a fund realized from sale of part of bankrupt's assets upon which it asserted a first mortgage lien. The referee allowed the claim in full but denied preference.

Held that in Wisconsin an unrecorded mortgage takes precedence over a subsequently docketed judgment. The first trust deed would have created a valid lien as against the trustee in bankruptcy even though recorded within four months of the date of filing petition in bankruptcy. This being so, it follows that appellant's rights were equally secured by the recording of the second trust deed, given under the circumstances disclosed, as a substitute for, and to replace, the first trust deeds. Taxes due the United States for which a notice of tax lien was filed prior to the recording of appellant's mortgage were a lien upon this fund prior to appellant's lien. The excise tax due the United States for which notice of a lien was not filed until after the trust deed was recorded cannot be given precedence over the mortgage.

In re *MacKinnon Mfg. Co.*, U. S. C. C. A., 7th Cir. (Wis.). Decided February 23, 1928.

* * *

BANKRUPTCY. DISCHARGE.

Whether Sole Owner of Corporation May Obtain Discharge After Obtaining Money for the Corporation.

Plaintiff, a bankrupt, appealed from a decree denying his discharge. He was President of a corporation of which he had the general management and control. With

his sister-in-law he owned more than two-thirds of the stock and had made large advances to it. He had obtained a loan of one and one-half million dollars to the corporation from the objectors and in order to obtain it had made to them a statement in writing known by him to be false which very materially overstated the assets of the corporation. The Bankrupt contended that he did not obtain money by this fraud inasmuch as the money went to the corporation and not to him.

Held, that the decree denying the bankrupt's discharge must be affirmed. The case concerned the construction of Section 14-b (3) of the Bankruptcy Act which provided that "A Judge shall * * * discharge the applicant unless he has * * * (3) obtained money or property on credit upon a materially false statement in writing made by him to any person or his representative for the purpose of obtaining credit from such person." The court said that when the statute spoke simply of obtaining money the question for whom the money must be obtained depended upon the context and the policy of the Act; that so far as policy went there was no more reason for granting a discharge to a man who had fraudulently obtained a loan to a corporation which was owned by him than for granting one to a man who had got money directly for himself. The statute should not be taken to allow an escape from its words, fairly read, by the simple device of interposing an artificial personality between the bankrupt and the lender.

Levy vs. Industrial Finance Corp., etc. Supreme Court of the United States. Decided March 5, 1928.

* * *

CREDITORS' CLAIMS

Petitioner, the Dayton Scale Company, sold to bankrupt certain grocery store equipment under a contract of conditional sale, reserving title to the vendor.

Held that it would seem that the Maryland Court of Appeals is committed,—albeit by dicta, but an exceedingly broad one—to the proposition that unrecorded conditional sale contracts are void as to all persons, unsecured creditors included. Until some other decision is rendered by that Court, clearly indicating a different interpretation, this Court feels bound to accept the view thus expressed, even though contrary to the weight of authority in other jurisdictions. Petitioner is entitled to his lien, except as to any creditors who may have intervened in the period during which the contract was unrecorded. But there is no proof in the present case that any such creditors existed, so petitioner should be preferred as against the trustee in payment out of the proceeds in the hands of trustee. In re *Shibley*. U. S. Dist. Ct., Dist. Md. Decided February 27, 1928.

DISCHARGE

Held that the complaint to recover for injury to an automobile, let by plaintiff to defendant for hire, caused by defendant's reckless and wanton negligence in driving same, and defendant's promise to repair the damage done, shows a provable debt, existing at the time defendant was adjudicated a bankrupt, and is barred by his subsequent discharge. The allegations of the complaint admitted by the amended supplemental answer do not bring plaintiff's claim within the liabilities excepted from operation of the discharge, viz. (2) §17 of the Bankrupt Act as a "wilful and malicious injury to property."

Poznanovic vs. Gilardine, Sup. Mt. Minn. Decided March 9th, 1928.

* * *

Banking and Banks

NOTES

Action against endorser upon a promissory note. The issue is whether there was testimony which justified the jury in finding that defendant below had received notice of dishonor, or whether actual notice of dishonor was necessary.

Held that even if defendants did not have actual notice of dishonor, under the law of the case they would be bound as endorsers, by reason of their official relationship to the corporation, and their opportunities for absolute knowledge of the existence of the note and the promise therein contained. Practically speaking, the note was for their accommodation and technically speaking, for the corporation. They were bound with knowledge even though there was no actual notice; but there is credible evidence in the record that the treasurer of the corporation who was conducting the finances of the corporation had written notice of demand and dishonor. *Righter vs. Sedgley*, Ct. of Appeals, Ohio, 8th Dist. Decided March 12, 1928.

* * *

TRADE ACCEPTANCE

The trade acceptance had endorsed thereon a statement that it covered certain goods which had been guaranteed and were to be replaced if found damaged. The trade acceptance was regularly discounted. Defendant alleges that the trade acceptance was not a negotiable instrument because the acceptance by drawee was conditional, the condition being in the statement in endorsement.

Held, fallacious. The endorsement in question does not constitute a condition upon which the trade acceptance was made payable. It is purely a collateral undertaking between drawer and drawee. There was no legal duty upon the bank to make inquiry whether the guarantee referred to in the endorsement had been breached or not.

Coffin vs. May, Ct. of Errors & Appeals, N. J. Decided February 6, 1928.

BANKS AND BANKING

Overdraft. Liability of Paying Bank for Overdraft by Unauthorized Agent.—This was an action by a bank for an overdraft in the account of plaintiff's agent. The agent was also the agent for a number of other parties for the same purpose, namely, selling certain produce, collecting the price and remitting the proceeds. The agent kept an account in plaintiff's bank in his own name as agent without disclosing the name of any principal. He sold certain produce and accepted the check of the purchaser and deposited it to his own account as agent in plaintiff bank. He remitted by check to the principal for the sale of the produce, less his commissions, which check the principal accepted in good faith in payment for the amount he was entitled to receive. The principal in good faith presented the same for payment to the bank which paid the same, not knowing for whom the agent was acting. The check which the purchaser had given the agent was returned unpaid, resulting in an overdraft in the agent's account.

Held, that the bank could not recover. The bank permitted the unauthorized agent to overdraw his account and could not recover the amount of such overdraft from the principal upon a mere showing that the principal received the proceeds of such overdraft where when demand for restitution is made the principal cannot be placed in status quo. As the bank credited the check as cash to the agent's account instead of receiving it for collection as it could have done, and paid out the amount thereof on the agent's check to parties to whom he was indebted, as between the agent's creditors and the bank, the loss must fall upon the bank.

Arkansas Valley Bank vs. Kelley, Supreme Court of Arkansas. Decided February 27, 1928.

NEGLIGENCE, MANUFACTURERS

Application of Rule hat Manufacturer Not Liable for Negligence Without a Contractual Relation.—This was an action for damages for the death of plaintiff's husband. Deceased's employer had purchased from defendant company certain machinery for his gravel business, in consideration of which purchase he had received from the company certain drawings for a suitable bin. The employer installed the bin, constructing a place for the loading of a team with gravel under the bin. Deceased was killed when the posts supporting the bin fell while deceased and his team were under the bin. The bin shown by the plans was supposed to hold one hundred fifty tons of gravel and at the time of the accident there were probably seventy-five tons of gravel in it. The question was whether the company owed any duty to persons who were in the class of persons expected by the company to use the completed structure, though such persons did not stand in privity of contract with the company, and, if so, did it use reasonable care that the plans furnished by it to the employer should be effective to insure the structure built in accordance with those plans from collapsing under the weight of a load of gravel one-half as great as the structure was designed to sustain.

Held, that plaintiff could not recover. The Court said that while the defendant knew and contemplated that a structure would be built by the employer to follow the plans, the design and specifications furnished him, and had reason to believe that purchasers of sand and gravel from the employer would receive delivery of them beneath the structure, from the compartments of the overhead bin, and should the struc-

ture collapse the men beneath the bin would probably be killed or suffer grievous bodily harm, the case nevertheless fell within the class of cases which hold that a manufacturer of an article is not liable for negligence in its manufacture to a third person with whom he has no contractual relation, and was not within any exceptions to this general rule, which was recognized in this Commonwealth.

Christensen vs. Bremer, Supreme Judicial Court of Mass. Decided March 9, 1928.

INSURANCE (FIRE)

Whether Policy Attached When One Bale in Each Carload of Cotton Waste Was on Fire.—This was an action on a policy insuring cotton waste "against losses caused by fire *** from the time the property insured passed into the custody of any common carrier *** until delivered by common carrier at destination". The court reviewed the circumstances and the inferences susceptible of being drawn from them and found that the collective force thereof was enough to support the finding of the jury that the fire which destroyed the cotton waste in question was caused by a spark packed bale and contained fire at the time of shipment. The main question was whether the policy attached and constituted a binding contract in view of the express finding that some of the bales in each of the shipments contained fire at the time of delivery to the common carrier, resulting in the destruction of the merchandise insured.

Held, that plaintiff could not recover. The goods were actually on fire at the time the policy would have attached according to its literal terms. The court said that it would seem contrary to the presumed intentions of the parties, or contrary to an underlying implied condition of the policy, to hold that the insurance became operative upon goods already on fire, even though there was no express exception of that nature in the policy. The case being without precedent, the court used as its closest analogy contracts of sale, valid in form, of property not in existence at the time, which are held not to constitute binding contracts. Held, further, that the circumstances that one bale in each carload was on fire prevented the policy from attaching and, therefore, there could be no recovery for loss of the bales not actually on fire at the moment. There could be no division.

Edward Rose Co. vs. Globe & Rutgers Fire Ins. Co. Supreme Judicial Court of Mass. Decided March 3, 1928.

WASHINGTON NOTES

Bill to Prevent Judges from Passing on Weight of Testimony

Several Bills are pending in Congress affecting the practice and procedure of cases before the Federal Courts. One Bill introduced by Senator Caraway of Arkansas requires Judges to charge the jury in writing before the closing argument of counsel. This Bill also prohibits Judges in their charges to the jury from expressing opinions as to the credibility of witnesses or the weight of the testimony.

Another Bill has been introduced by Senator Johnson requiring the courts of the United States to decide every matter submitted in a case as soon as possible after the case has been submitted and in any event in not less than five months after the case has been submitted.

While these measures would seem to have merit in them there is some question

as to whether or not they will withstand the judicial scrutiny and consideration, for they encroach to some extent on the prerogatives of the judiciary.

The Caraway Bill has passed the Senate and is now in the House. The Johnson Bill is on the Senate Calendar for action at an early date.

Proposed Amendment to the Bankruptcy Law

Senator Shipstead has introduced a bill providing that no man may become a bankrupt unless his debts amount to Five Hundred Dollars or more. This same limitation was proposed two years ago when the bankrupt law was amended, but was not put into effect. Its purpose seems good. Everybody will agree that unless a man owes more than \$500.00 he ought not to be allowed to wipe his debts off. He should be required to fight on and pay up.

The chief question is to the practicability of the limitation. If it should be adopted, and if a man who owed less than \$500.00 should want to become bankrupt, it would be very simple for him to incur additional obligations, apparently bonafide, which would put him within the law. There might be an incentive to some men to run up debts just to be able to write them off. Hence the placing of this \$500.00 minimum in the law might be simply a futile gesture.

Pending Bill to Prevent Sending and Receipt of Stolen Property Through Interstate and Foreign Commerce

A recent hearing was held by the Judiciary Committee of the House on the Bill introduced in the House of Representatives by Congressman La Guardia (H. R. 10287) to prevent the sending and receipt of stolen property through interstate and foreign commerce. A large delegation of representatives of various national organizations was present, including M. S. Mattuck of the Credit Protection Department of the National Association of Credit Men. Mr. Mattuck explained to the committee details of the bill and the importance of the subject matter to the business men of the Nation.

Suggestions were made at the hearing to amend the bill in several particulars, one of which would exclude common carriers from the operation of Section 2 of the Act, which provides that whoever shall send or transport stolen goods shall be amenable to the provisions of the Act. It was pointed out that common carriers are under a duty to carry property and the bill might work a hardship if they are included within its provisions.

A suggestion was also made to amend the Act exempting cases where a negotiable instrument has been dealt with or acquired under conditions which would constitute the person so dealing therewith a holder in due course.

Other persons representing organizations appeared before the committee as follows: Newton D. Baker and Hon. J. Weston Allen, National Crime Commission; Hon. Wm. Green, American Federation of Labor; Thomas E. Patten and James E. Baum, American Bankers' Association; Alfred B. Thom, American Railway Association; M. O. Garner, Surety Companies; Major J. K. White, Surety Companies; S. C. Meade, Merchants' Associations; Jan. N. Noyes, Jewelers' Surety Alliance; Mr. Clune, Silk Association of America; Lewis Hahn, National Retail Dry Goods Assn.; A. F. Allison, National Association of Garment Manufacturers.

It is believed that the committee will report out shortly a bill which will be acceptable to all interested parties.

The Business Library

(Continued from page 31)

mist's hand, materials from which new knowledge may be gleaned.

The Book of Job

MAKING A LIVING. Leverett S. Lyon. The Macmillan Company. N. Y. 1927. 622 pp. \$2.

Dr. Lyon has very obligingly given so good a picture of his own book that it would be a crime, or at least a misdemeanor, not to quote it at the beginning of this review. In developing the theme of the individual's place in organized society, he says, it seems necessary and natural to consider five major phases of that subject.

Part I sets the problem. Every child by the time school days are over—indeed long before—has asked the question "Where and how shall I fit into the world's work?" Part I presents a way of considering that question which illuminates the more detailed study that follows. It suggests as a plan a study of the work of the active organizers of society.

Part II gives a very brief glimpse of a society that preceded ours and a sketch of the way in which that society changed into ours. Part III deals with the first of the great organizing agencies of our society—private enterprise; Part IV with the second—public enterprise. Part V closes the story, stressing the value of studying one's self and of making and re-making an educational plan.

So much for the outline. Information about specific jobs is concentrated in Parts III and IV. Part III, on "Organization by Individual Enterprise," consists of twelve chapters on business and three on professional activities. Part IV has six chapters on vocational opportunities in the government service. Organization charts are used to good advantage in these sections of the book, and there are also valuable statistical tables showing average earnings in many lines of work. At the end of each chapter Dr. Lyon supplies a list of "Questions and Projects" which add to the effectiveness of the volume as a textbook.

In Chapter XXVII, "Looking at Ourselves," the author suggests that self-analysis is highly valuable to one who is choosing a vocation, and outlines some simple tests whereby the individual may appraise his own physical condition, interest in work, energy and industry, social-relations ability, general intelligence, self-control and special abilities, if any. By plotting a curve combining the results of these seven tests, one can construct a chart which gives him a graphic representation of his own personality.

The final chapter is inspirational in the best sense of the word. It describes the many kinds of schools that society has thus far devised, indicating the scope of each and the kind of a job to which each

leads. It brings out the very important fact that educational plans have to be remade, as well as made.

Dr. Lyon evidently saw the need of a book on vocational guidance in which the essential facts should be expressed in simple, untechnical language. Having met this need so understandingly, he has done a genuine service to all who have to choose a vocation, and that includes virtually all of us except the drones.

Our Subsidy System

FEDERAL AID. Austin F. Macdonald. Thomas Y. Crowell Co., N. Y. 1928. 283 pp. \$2.75.

From June, 1926, to February, 1927, Dr. Macdonald visited Alabama, Louisiana, Missouri, Wisconsin, Wyoming, Montana, New York, New Jersey, Maine, Massachusetts and New Hampshire. He interviewed more than a thousand people, —State directors in charge of co-operative work with the Federal government, local representatives of farm and labor organizations, chambers of commerce and the like, and newspaper editors. In "Federal Aid" he presents the results of that trip and of other investigations.

This book will prove to be a real eye-opener to many whose understanding of what our government does by means of subsidies is decidedly hazy. In a general way we have been conscious of the government's part in preventing forest fires, in agricultural extension work, the development of highways, the National Guard, vocational education and rehabilitation, maternity and infant hygiene. But here we have the real "brass tacks" of the matter,—sharp, bright and plentiful.

The conclusions reached by Dr. Macdonald may be summarized as follows:

1. Federal aid has stimulated State interest and activity.
2. It has raised State standards and established a national minimum of efficiency.
3. It has produced a certain degree of standardization.
4. It has made possible, however, the continued recognition of local needs.
5. It has not resulted in attempted Federal domination. There has been no unreasonable Federal interference with state policies or with the details of state administration.
6. It has equalized to some extent the tax burdens of the several States. The equalizing process has been somewhat haphazard, but has proved reasonably satisfactory.
7. It has not succeeded in eliminating State politics.
8. It has tended, however, to reduce the amount of State politics and has increased greatly the efficiency of State workers selected originally for political reasons.
9. The Federal bureaus administering the subsidy laws are free from politics.


(Continued on page 36)



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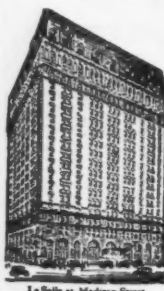
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Sunday Dinner	1.50

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10. The thoroughness of Federal supervision varies greatly from bureau to bureau.

11. Virtually every subsidy law contains defects which should be corrected.

12. Federal aid should be continued for those purposes for which it is now granted.

13. It should also be granted for other governmental activities generally conceded to be of sufficient importance.

14. Every subsidy law should make provision for adequate Federal inspection of state activities.

15. Most appropriations to the Federal bureaus for administrative purposes are inadequate, and should be increased.

N. A. C. M. Nominations Committee at Seattle

THE Nominations Committee of the National Association of Credit Men which will function at the 33rd Annual Convention at Seattle, June 11-15, will consist of:

Ex-Presidents

W. H. Pouch, New York, chairman.

Eugene S. Elkus, San Francisco.

W. F. H. Koelsch, New York.

C. R. Burnett, Newark.

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4. Raymond Link, Ohio National Bank, Columbus, O.

5. A. J. Peoples, American Brass Co., Detroit, Mich.

6. Albert Wagenfuehr, Boatmen's Nat'l Bank, St. Louis, Mo.

7. I. W. Stewart, Commercial Nat'l Bank, Charlotte, N. C.

8. John H. Bexten, First Nat'l Bank, Omaha, Neb.

9. N. Y. Schofield Zion Co-op. Merc. Inst., Salt Lake City, Utah.

10. J. A. Bond, Standard Oil Co., San Francisco, Cal.

Oscar Loeffler

ONE of the earliest and most faithful members of the National Association of Credit Men was removed forever from active participation in the affairs of the credit fraternity by the death on March 12, 1928, of Oscar Loeffler, secretary-treasurer of Goll & Frank Co., wholesale dry goods.

Mr. Loeffler who was 75 years old, started as a clerk in that concern in 1872. In the early 'Nineties he was president of the Milwaukee Merchants' Association. He was a founder of the Milwaukee Credit Men's Association and for several years a director of the National.

His activity in credit association affairs continued until the time of his death.

Chinese Credit Problems

(Continued from page 20)

goods. By this proceeding the importer hopes not only to make a profit on the resale of the goods, but to make, as he often does, an extra profit by a judicious purchase of American dollars according to the fluctuation of foreign exchange.

The banker bases the rate of exchange between American and Chinese money not only on the money market, but more particularly on the banker's position in the market as a buyer or seller of exchange. If the banker has just sold another importer 100,000 gold dollars, the rate will be higher to the second importer with \$100,000 gold to buy, because with increased demand for gold, the silver dollar depreciates, and more silver is required to buy the same amount of gold. In the exchange market, the banker watches his position closely with regard to the demand for gold and the amount of export paper handled, which constitute the principal factor of the rate in exchange.

Competition in the Chinese market is just as keen as in domestic trade. If American manufacturers desire to develop export business on a large scale, they must conduct it in line with competing countries.

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The manufacturers of other countries manage their export business in such a way as to afford the greatest elasticity to credit. Before the order is booked, the standing of the buyer is investigated, and, if it is satisfactory goods are sold on terms very similar to those of domestic business. Indeed the risk is often less than in domestic business, because of the use of secured drafts and trust receipt for acceptances which make the payment more certain.

When a British or Continental exporter ships goods to China, the merchandise is sold with the draft drawn from 90 to 120 days' sight, but the goods are not released until the draft is paid (if sold "documents against payment"), or released under trust receipt (if sold "documents against acceptance"), as the case may be. For example, a Manchester house may ship piece goods from England to China under one form of documentary credit, in which both the drawer and the drawee are responsible until the draft is retired.

Easy German Terms

German exporting firms have recently issued circulars offering to ship goods, drawing 50 per cent. of the value of the goods, balance to be paid after the delivery of the goods. To illustrate: A Chinese importing house at Shanghai, upon receiving an order from a local dealer, will give a delivery order on the bank. When the banker has ascertained that the order is all right, a notice is sent to the local warehouse of the German concern for the delivery of the goods to the buyer, and the account is payable to the bank when the local dealer has fulfilled his promise to pay.

In the United States, since the middle 'Nineties, credit education and credit technique have made notable progress. To-day we find many authoritative works on the scientific extension of credit and the best methods of collecting accounts; and the interchange of credit information is highly organized.

In view of the fundamental importance of credit in modern business, China should establish a central credit organization, at least one for Shanghai, in order to facilitate the flow of credit information for the purpose of national credit interchange.

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To personally adjust accounts.
To investigate composition offers.
To represent claims in Bankr. Cases.
To serve in a fiduciary capacity in friendly liquidations.
To serve in a fiduciary capacity in Bankruptcy Cases.

To serve in a fiduciary capacity in the rehabilitation of debtor's business.
To collect receivables.

Collection items are received by Bureaus with the understanding that should developments indicate the necessity of action for all creditors, the interest of one shall be subservient to all.

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The Institute is a Department of the National Association of Credit Men. Its educational work is carried on through two main channels—class room courses offered under the auspices of local credit associations in a number of cities, and correspondence courses conducted from the National Office at One Park Avenue, New York City.

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Business Law of Bankruptcy.....	30 hours
Negotiable Instruments.....	30 hours
Foreign Trade and Foreign Credit.....	30 hours
Credit Research.....	30 hours
Total	300 hours

Associates and Fellows in Credit Students who have been awarded the Junior Certificate and who have had three years of practical credit experience become Associates of the National Institute of Credit. Students who have been awarded the Senior Certificate and who have had five years of practical credit experience become (provided they are at least 25 years of age) Fellows of the National Institute of Credit.

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